EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

SANTA CLAUS
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Page 3

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World News

Hopes for Middle East peace talks recede

Hopes for Middle East peace talks in Washington between the foreign ministers of Israel, Egypt and the US in January have been dampened by the difficulties of reconciling Israeli and Palestinian demands.

Officials in Jerusalem say Israel's participation in the talks – designed to prepare for the first official Israeli-Palestinian meeting – hinges on the willingness of the Palestine Liberation Organisation to play an invisible role in the process. Page 4

Moslems march

About 300,000 Moslem activists marched on the Algiers Parliament to demonstrate against what they called threats to Islam. Page 4

Czechs apologise

The Czechoslovak Communist Party elected a new leadership and published an apology to the people for its past misdeeds. Page 2

Sri Lanka bloodbath

More than 200 young men were shot or hacked to death in Sri Lanka's worst day of violence. Page 4

Rio inflation surges

An alarming surge in Brazil's inflation rate has sent jitters through the economy, forcing President-elect Fernando Collor de Mello to assure markets he is not preparing to freeze prices. Page 5

Guerillas hit Kabul

Guerrillas fired 10 rockets into the Afghan capital Kabul killing one person and wounding seven.

Soviet expelled

A Soviet citizen was expelled from Sweden for spying on military installations and attempting to gain information about Swedish and foreign technology.

Mrs Marcos in talks

US prosecutors and lawyers for Imelda Marcos have discussed a possible deal for her to plead guilty in a racketeering case in exchange for a suspended jail sentence, a Manila lawyer said.

Taiwanese reserves

Taiwan planned to lend some of its massive foreign exchange reserves to local businessmen to buy overseas companies, the central bank governor said.

Palestinian arrest

A Palestinian who is being interrogated about the blowing up of a Pan Am airliner over Lockerbie in Scotland last year was jailed for life on bombing charges by a Swedish court.

Israelis kill two

The Israeli army shot dead two Palestinians, wounded at least 23 and announced it would punish parents for stone-throwing by young children.

EC and Arabs talk

Talks billed as a visible symbol of close ties between Europe and the Arab world started in Paris with participants drawing a veil over an opening outburst by Libya against host President François Mitterrand. Page 2

Rogue tanker adrift

An unmanned Iranian tanker drifting off Morocco with a large cargo of crude oil posed a potential threat to the coasts of Spain and Portugal.

Quake in Alaska

A moderate earthquake registering 6.7 on the Richter scale occurred in central Alaska.

E German integrity

East Germany complained its territorial integrity has been violated – by Western souvenir hunters stealing its border signs.

Business Summary

Industrialised nations growth 'will slow in 1990'

ECONOMIC growth in the industrialised world is forecast to continue for the eighth consecutive year in 1990, Organisation for Economic Co-operation and Development said.

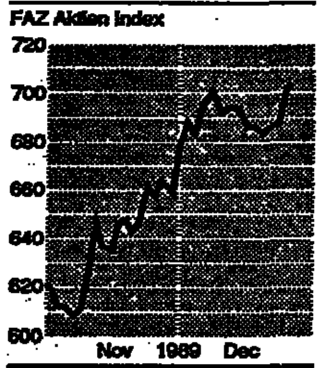
In its latest half-yearly Economic Outlook, the Paris-based think tank forecast growth in its 24 member nations would slow to an average 2.9 per cent next year and in 1991 from 3.6 per cent in 1989 with inflation edging down to 4.3 per cent in 1991 from 4.5 per cent next year. Pages 14 and 5

FAZ Index: Frankfurt held strong gains made earlier this week, closing up 1.64 to a second consecutive post-crash high of 702.34. World stock markets, Page 31

EC Mergers: the European Commission will have the sole power to bless or to block large EC mergers, following the adoption by industry ministers of new rules for merger control. Page 2

W. Germany

FAZ Aktien Index



MORGAN Grenfell, UK merchant bank, and Moscow Narodny Bank arranged a DM410m ($235m) financing for a joint venture between the privately-owned Pressindustria of Italy and the Soviet Union to establish a butyl rubber plant at Tobolsk. Page 14

IMPERIAL Chemical Industries, one of the world's top five suppliers of commercial explosives, is moving into the US after agreeing to buy Atlas Powder, large US explosives maker, for $193m. Page 15

DRESDNER Bank, West Germany's second biggest bank, bought the treasury activities of Elders Finance Group, finance subsidiary of the Australian agricultural and brewing concern, for an undisclosed sum. Page 15

OLIVETTI: falling prices for many of its products prompted the Italian computer manufacturer to lower its profit forecast for this year and to prepare plans to lay off 500 workers in 1990. Page 15

SHEARSON Lehman Hutton: two of the group's companies were awarded £41.5m ($68m) damages in the High Court in London for breaches of tin contracts by Maclaine Watson & Co. Page 19

ASEA Brown Boveri, big European electrical engineering group which has just taken over Combustion Engineering of the US, announced it was increasing its share capital by $780m to $2.03bn. Page 16

FRENCH railways announced a FFr6bn ($1bn) order for 80 high-speed TGVs and took options on 30 more to run on its fast-expanding domestic network in the mid-1990s. Page 3

GATT: the final meeting of world trade ministers to seal the outcome of the Uruguay Round of the General Agreement on Tariffs and Trade has been set for December next year in Brussels. Page 3

GREEK capital outflow: Greece has been granted a six-month delay in meeting an EC deadline on freeing capital outflow because of its worsening balance of payments situation. Page 2

MARKETS

STERLING
New York lunchtime:
$1.635
London:
$1.6125 (1.609)
DM2.7825 (2.79)
FFr9.5050 (9.5225)
SFr2.5125 (2.505)
Y231.75 (230.75)
£ index 88.9 (88.9)

GOLD
New York: Comex Feb
$416.7
London:
$412.75 (413.75)

N SEA OIL (Argus)
Brent 15-day Feb
$19.575 (19.525)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.7225
FFr5.8915
SFr1.5560
Y143.645
London:
DM1.7250 (1.74)
FFr5.8950 (5.94)
SFr1.5575 (1.562)
Y143.70 (144)
$ index 67.7 (68.2)

US LUNCHTIME RATES
Fed Funds 8¼%
3-mo Treasury Bills:
yield: 7.8%
Long Bond:
103 3/32
yield: 7.85%

STOCK INDICES
FT-SE 100:
2,353 (−7.7)
FT Ordinary:
1,858.8 (−7.2)
FT-A All-Share:
1,173.4 (−0.2%)
New York lunchtime:
DJ Ind. Av.
2,682.83 (+4.8)
S&P Comp
344.02 (+1.18)
Tokyo: Nikkei
38,215.48 (−296.52)

LONDON MONEY
3-month Interbank:
closing 15 7/32 (same)
Liffe long gilt future:
93 5/32 (93¼)

MARKET REPORTS: CURRENCIES, Page 30; BONDS, Pages 18, 19; COMMODITIES, Page 22; EQUITIES, Pages 23 (London), 31 (World)

Street fighting in Bucharest ● Tanks 'run over' students ● Strikes called ● Profound anxiety at UN

Ceausescu fights to keep power

By Judy Dempsey in Budapest and Our Foreign Staff

PRESIDENT Nicolae Ceausescu was last night fighting to retain power in Romania as his security forces tried to suppress several large demonstrations in the capital, Bucharest.

The city was yesterday reported to be filled with tanks and the sound of automatic machine-gun fire after several thousand young people demonstrated against President Ceausescu's regime at a main intersection in the city.

The tanks are said to have encircled the main group, which was shouting "Down with Ceausescu" and "Down with the killers." The group was then reportedly fired on with automatic guns.

But there was no accurate report of the number of people who had been killed. Virtually all the available first-hand information came from East European news agencies and resident diplomats.

One British diplomat said he and his colleagues had seen eight or nine bodies in the streets, and a Yugoslav television journalist had been told of 20 deaths. But reports from the city, mainly filed by correspondents for the Soviet news agency, Tass, and the Yugoslav news agency, Tanjug, spoke of the indiscriminate shooting of civilians.

Tanjug reported that it had witnessed "armoured vehicles running over students while police shot at everything that moved." The Tass correspondent said that at least two demonstrators had been killed when armoured personnel carriers ran them over. "When a group of witnesses rushed to pull those injured from under the wheels of the armoured personnel carrier, they were fired on by automatic weapons," Tass said.

However, there were several indications last night that government troops had been unable to restore order in the capital. Tass reported that students in Bucharest had called on workers in the Romanian capital's main factories to go on strike and join anti-government street protests. "The situation in Bucharest is becoming more tense," Tass said at 6pm London time, adding that two groups of 500 people were marching to join the crowds in the capital's University Square.

Tass reported that there were further bursts of gunfire in Bucharest in the evening. "The streets are becoming more and more animated," the agency said, noting also that Romanian state television had been unable to begin its customary two-hour evening broadcast at 8pm. In the early evening, Yugoslav radio also said that there were unconfirmed reports of strikes.

The Tass report from Bucharest said: "Along the central street of the capital, tanks are moving, following the lines of sub-machine gunners pushing back the crowds. Bursts of automatic weapons fire are being heard. Panic-stricken people are hiding in doorways and courtyards.

Hungarian radio reported in an early evening broadcast that protesters chanted: "The Army is With Us," indicating that some soldiers were unwilling to shoot at demonstrators.

In the city of Timisoara, the scene of last Sunday's massacre of anti-Ceausescu demonstrators, a cluster of reports also indicated that the authorities were losing control.

Demonstrations were continuing early yesterday morning despite a state of emergency, according to a group of Syrian students who crossed into Yugoslavia. According to Tass, workers also occupied several petro-chemical plants in the region and threatened to blow them up unless President Ceausescu resigned. And another report, from Tanjug, reported that soldiers and officers had been joining anti-government demonstrators.

Hungarian radio also reported last night that the situation in Arad, a town in northern Transylvania, was "explosive." In the city of Sibiu, where Mr Nicu Ceausescu, the President's son, is party secretary, crowds were also reported to have taken to the streets.

According to most reports, the trigger for yesterday's outbreak of violence came as President Ceausescu started to deliver a speech to a rally in the centre of Bucharest. The President had just started to deliver the speech, which was monitored by Western radio stations, when a loud scream was heard in the crowd, followed by pandemonium. Both radio and television coverage faded and a patriotic song was broadcast for three minutes.

However, as President Ceausescu came to a passage in the speech where he railed against "those imperialist circles who want to destroy Romania's integrity and sovereignty," the crowd found its voice. "Timisoara. Timisoara. Down with Ceausescu. Tell us what happened," was one cry that was heard. Parts of the crowd then threw away the official banners they had been given for the meeting and the police moved in. Tear gas was reportedly spread right across the Trade Union building.

Yesterday's action by the Romanian authorities was again the object of international condemnation. The UN Security Council will begin informal consultations today to discuss the situation in Romania and will decide whether to hold a public meeting later. Mr Javier Perez de Cuellar, UN Secretary-General, said he viewed the situation in Romania with "profound anxiety."

ON OTHER PAGES

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● Army holds key to Ceausescu's survival
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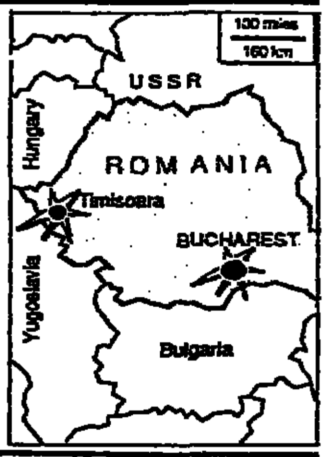


Panama 'anarchy' as US fails to assert control

By Our Foreign Staff

US FORCES had still failed to establish their full authority in Panama last night in the face of sustained fighting and strong criticism from other Latin American countries, 36 hours after President George Bush ordered the invasion.

Sweeping operations by the 9,500 US troops sent in on Wednesday to bolster the 13,000 stationed there had not tracked down Gen Manuel Antonio Noriega, the Panamanian dictator who faces drug trafficking charges in the US. An offer of $1m reward for information leading to his capture produced a large number of calls but no firm leads.

The US has sought to convey an impression of a rapid return to stable conditions in Panama. After having been closed to traffic for the first time in its 75-year life on Wednesday, the Panama Canal was reopened yesterday for limited daytime movement, with the hope that 24-hour operations might be restored by the weekend.

The US aim was to build up the authority of the new government of President Endara who was sworn into office at a US base just before the military action started. President Bush was yesterday said to be pleased "by the efforts of the new democratically-elected government to begin taking charge of the country."

But residents in Panama contacted by telephone said anarchy persisted in some areas with widespread looting. One priest put the civilian death toll at over 1,000.

The new government was yesterday setting up operations which will enable it to use $400m in funds available immediately as a result of the lifting of US sanctions. These funds have been held in escrow by the US Government.

However, the US action came under further strong attack yesterday from Latin American countries, including normally close allies of the US. A highly critical resolution was being debated by the Organisation of American States which continues to recognise the Ambassador of the Noriega regime.

Widespread rumours that Gen Noriega was in hiding in the Nicaraguan embassy were strongly denied by a high-ranking diplomat at the embassy. "This is false...they're trying to create an incident with the Nicaraguan embassy in Panama." Speaking at 10am local time, he claimed, "we've just been surrounded by six tanks and 80 men."

Continued fighting was reported in the centre of Panama City and when US forces went to the Marriott Hotel to rescue US citizens and other foreigners, there was shooting from nearby roofs, apparently from members of the Panamanian Special Forces.

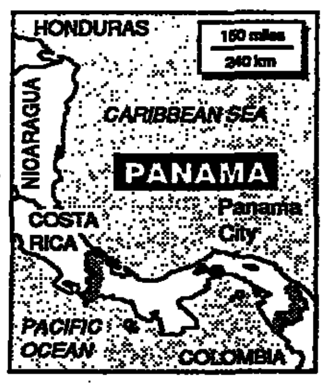
The Pentagon said 19 US troops had been killed in action, 117 wounded (of whom most have been repatriated to the US), with one missing. The US estimates that 59 members of the Panamanian Defence Forces have been killed in action, 66 wounded, with more than 1,500 prisoners. Eyewitness reports put the death toll far higher.

Residents contacted by telephone said US forces were continuing to comb suburbs of the capital for Gen Noriega and accused the US of not policing the streets and allowing anarchy to reign in the duty-free city and looters to plunder shops.

Fr Fidel Sanchez, a Jesuit priest, complained of "widespread looting of shops and supermarkets" led by Dignity Battalions, civil militia loyal to Gen Noriega. "Only ten min-

Continued on Page 14

President's support conditional, Washington wins PR battle, Price on his head and targets in his sights, Page 5



Civilians run past US army positions in the San Miguelito district on the outskirts of Panama City

Peking steps up investment in Hong Kong enterprises

By John Elliott in Hong Kong and Hugo Dixon in London

PEKING plans a confidence-boosting investment in Hong Kong's telecommunications sector.

The China International Trust and Investment Corporation (Citic) is negotiating to buy a stake of between 10 and 20 per cent in Hongkong Telecommunications from Britain's Cable and Wireless, which owns 75 per cent of the company.

The proposed purchase is part of a spending spree launched by Citic's Hong Kong offshoot in recent months following the confident emergence of its Peking parent from corruption inquiries earlier this year.

Citic is now responding positively to investment offers and is believed to have a number under consideration which could significantly enlarge the economic role of mainland China in Hong Kong before the colony reverts to Chinese sovereignty in 1997. It already has assets of about US$700m.

The deal would be struck at the average rate Hongkong Telecom shares traded at during November, Mr Rod Olsen, C&W's finance director, said yesterday. Given an average rate of HK$4.56, this would imply that C&W will receive between £500m ($800m) and £1bn from the sale, he confirmed.

Earlier this month it bought a 26 per cent stake in Dragonair, Hong Kong's fledgling airline, and is now negotiating to enlarge this holding. It already owns 12.5 per cent in Cathay Pacific Airways, the colony's main airline, and earlier this year bought 20 per cent in the telecommunications company of the nearby Portuguese enclave of Macao from C&W.

Citic is also linked with C&W in a private domestic telecommunications satellite joint venture called Asiasat. Another common link is that Citic often works with Mr Li Ka-shing, one of Hong Kong's leading entrepreneurs who is also involved in Asiasat and has a 5 per cent stake in C&W.

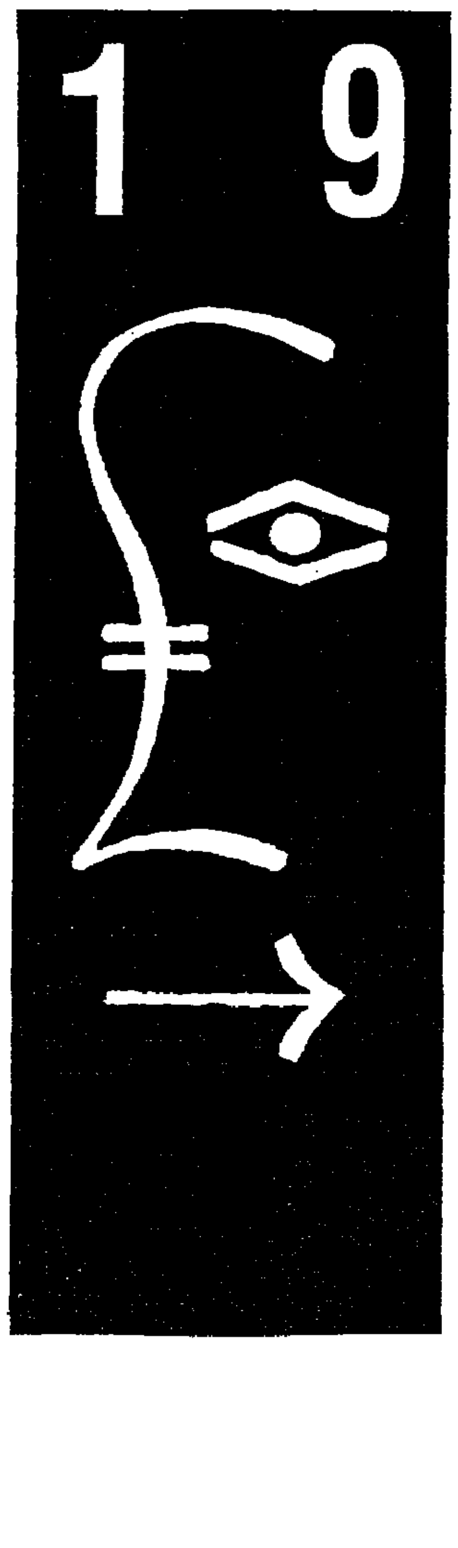
Hongkong Telecom controls Hongkong Telephone, which has a monopoly on the colony's voice telecommunciations. Following share issues a year ago, Hongkong Telecom is 75 per cent owned by C&W (Far East) and by the UK parent. It has been known for some time that this stake would be reduced to 52 per cent, although it had been assumed that this would be through a public offer. The Hong Kong Government has a 7 per cent stake which will also eventually be sold.

A statement issued by C&W in London yesterday said the transaction was at a preliminary stage. Nevertheless, its shares jumped 29p to 548p.

Mr Olsen said C&W had decided to announce the talks so that Citic could start discussions with financial institutions.

Although he refused to speculate about what C&W would use the cash for, the group has ambitious plans for a global communications network.

Curbs to be lifted; Lex, Page 14



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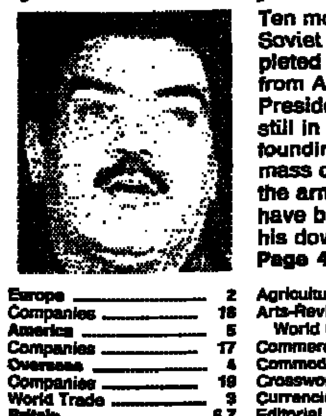
Afghanistan is not working out quite as the CIA planned



Ten months after the Soviet Union completed its withdrawal from Afghanistan, President Najibullah is still in command, confounding predictions of mass defections from the army which would have brought about his downfall
Page 4

Community steps up sanctions

By Tim Dickson in Brussels

THE European Community last night stepped up sanctions against Romania. A meeting of EC ambassadors decided the generalised system of preferences which for several years has given valuable trade concessions to Bucharest should be suspended. The move followed the announcement late on Wednesday that the EC's 1980 trade agreements with Bucharest would be frozen and that the Commission was ready to provide humanitarian assistance to Romanian refugees, notably the 25,000 currently in Hungary.

Underlining the strong feelings in Brussels, Mr Frans Andriessen, the External Relations Commissioner, expressed his "dismay at this the latest and most heartless demonstration of the abuse of human rights by the present regime in Romania".

In April the EC suspended negotiations for an economic co-operation agreement, but the trade agreements concluded in 1980 and covering exclusively industrial products have since remained in force.

The decisions taken on Wednesday mean that the annual EC-Romania joint committee meeting scheduled for late January or early February will not be held, that no new trade concessions will be granted, and that no technical missions will be sent.

The Commission, meanwhile, is also bound to take the present political situation into account in negotiations over Romania's steel import quota for 1990 (under an agreement signed in 1988) and in the talks on access to the EC for sheepmeat which are being held with a number of Eastern European countries.

Demonstrators protesting outside Romanian embassies in Europe yesterday in response to the latest developments in the one remaining Eastern European state ruled by hardline communists. In Bonn (left) about 100 held up banners reading "Ceausescu: murder" and "No violence in Romania", while in Budapest drivers were invited to sound their horns in support of a 24-hour vigil by 50 protestors

Conflict glimpsed through East bloc reports

AS THE crisis in Romania escalated yesterday, reports from Soviet and Eastern European news agencies furnished glimpses of the conflict that marks the most significant challenge to the authoritarian rule of Nicolae Ceausescu.

The Soviet official news agency Tass, which normally operates rigidly according to government guidelines, yesterday published several brief but graphic accounts of events in Bucharest.

"The situation in the Romanian capital remains unpredictable," Tass reported at 4.52 Moscow time in English. "A meeting, held in Republic Square, was addressed by several workers, and then by Ceausescu. Lots of people, mainly young people, gathered simultaneously in Mageru Boulevard, Bucharest's central thoroughfare, shouting out slogans against the present Romanian leaders. The Tass correspondent heard explosions of tear gas grenades. The militia and the security forces are dispersing the crowd."

Just half an hour later, the agency filed a second report. "Truckloads of troops and fire engines are massing in the centre of the Romanian capital," it said. "Approaches to Republic Square have been closed by Romanian army units. Police made an attempt to disperse demonstrators and to prevent new people from joining them, but failed. The initial crowd of several hundred protesters has swelled to several thousand.

"The demonstrators are chanting: 'Freedom,' and 'Down with the dictatorship.' Tanks are following soldiers toting submachine-guns, who are pushing the demonstrators along Bucharest's main thoroughfare. Automatic fire can be heard. Panic-stricken, people seek shelter inside building entrances and yards."

At 7.22, Tass added a new report that industrial enterprises had reportedly ground to a standstill in Timisoara. Having occupied factories, workers threatened to blow them up if the authorities did not meet their conditions, which included the resignation of the country's entire leadership.

They also demanded the withdrawal of the army units that had massed in the city over the past few days. Recent accounts said troops had started leaving Timisoara.

Meanwhile, the Yugoslav news agency Tanjug told how several thousand people, mostly pupils and students, found themselves surrounded by police and tanks. "Police then began firing on the trapped mass of people. Eyewitnesses said many were wounded and probably killed," it said.

Tanjug said protesters tore up pictures of President Ceausescu and chanted "Down with Ceausescu".They sang the nationalist song "Wake up Romania".

Earlier, Tanjug said groups of soldiers and officers had been joining the demonstration in Timisoara, which, according to Syrian students from the town arriving in Yugoslavia, were continuing yesterday despite the state of emergency and the ban on public gatherings.

Tanjug quoted eyewitnesses as saying that soldiers and policemen who refused to fire at demonstrators in Timisoara had been executed. It also reported witnesses as saying troops had left Timosoara after demonstrators took over a petrochemical plant and threatened to blow it up.

Reports from PAP, Poland's official news agency, spoke only of warning shots fired by the security forces at youths in Bucharest.

The agency said three warning shots were fired in the air when several hundred young people gathered outside Bucharest University chanting 'Romanians are not cowards. We want a free Romania'."

KREMLIN CONSERVATIVE CALLS FOR DIALOGUE TO START

MR LEV ZAIKOV, one of the leading members of the ruling Soviet politburo, yesterday called on the Romanian Government to start a dialogue, instead of "suppressing dissatisfaction by force," writes Quentin Peel in Moscow. His words, to a reporter from Radio Moscow, amount to the strongest condemnation yet by a Soviet leader of the authorities' action in Romania.

Mr Zaikov, one of the more conservative members of the politburo, went on to say that the developments in Romania were foreseeable. "There is democratisation of public life everywhere, and everyone knows about perestroika in the USSR," the state radio's news service, Interfax, quoted him as saying. "The desire of the people to begin democratic changes in their own country is natural.

"Evidently, the people of Romania are dissatisfied with the command and administer system that remains in their country. The leadership of Romania should start a dialogue with the people, instead of suppressing dissatisfaction by force."

Mr Zaikov's comments are all the more significant as an indicator of Soviet exasperation with President Ceausescu, coming from a relatively conservative member of the leadership. Indeed, they could be taken to indicate that the Kremlin is already rating the Romanian's survival chances very low.

With the previous demonstrations against the Communist governments in East Germany and Czechoslovakia, the Soviet Government held off from any substantial comment until after the change of government.

Mr Zaikov's remarks came after the Soviet press made clear, by omission, its dissatisfaction with the lack of response from the Kremlin to the reported massacre.

Izvestia, the government newspaper, today reported bare details from Bucharest - including patrols in the city streets, and signs saying "Stop" on all the major roads into the capital - and then a string of condemnations from East European capitals.

It then simply added the anodyne comment of the Soviet spokesman, Mr Vadim Perfilyev, who said that the facts were still unclear "but if the facts which we have heard about human victims are confirmed, we could not but express our deep regret."

French police build a tale of political intrigue

William Dawkins reports on the inquiry which lead to scandal

A FRENCH national political scandal which began with an inquiry by the local police into the accounts of a building company in Marseilles a year ago is just beginning to come to a head.

The controversy, over what are claimed to be illicit fund-raising methods used by most of France's political parties except, curiously, the Communists, reads like a good Simenon thriller.

It centres on the alleged use of political influence to gain public contracts for corporate customers willing to pay, and involves phantom front companies, hidden transactions and false invoices for services that were never provided, according to police evidence collected in dawn raids at some of the companies involved early this year.

The revelations have provoked a heated debate on what is legitimate behaviour for political parties, as well as some national soul searching over what this says about French politics generally.

Mr Pierre Culié, president of the Paris Appeal Court's indictment office, has so far brought criminal charges against 33 politicians and businessmen, variously accused of corruption, forgery, conniving at undeclared business methods and receiving improperly earned cash. The court is understood to be awaiting the outcome of a controversial government proposal for a partial amnesty for those involved, plus tougher rules on future party funding before deciding whether and whom to prosecute.

According to the small amount of police evidence to have leaked out, ghost consultancies are said to have been set up variously for the benefit of Socialist, centre-party UDF and right-wing RPR politicians. It suggests they have been receiving payments of FFr300,000-FFr400,000 (£30,210) a time for helping companies win public works and supply contracts. Such payments might have direct links with the granting of a number of specific planning permissions, road building and other construction contracts, the evidence indicates.

The Government at first attempted to obtain an all-round amnesty, on the grounds that it suspected most of those caught in the police investigation had only transgressed by accident because of a lack of clear rules on party funding.

But the public outcry that greeted the idea of politicians voting to whitewash themselves obliged the Government — itself internally divided on this issue — to stage its fastest political U-turn since coming to power and rethink the idea.

The Government first scrapped the amnesty, and then had third thoughts and re-introduced it in a weakened form. Under this latest plan, national MPs and people who gained personally from fraud would in theory be prosecuted, but their faithful backers and donors would be let off. The revised scheme passed its second reading at the National Assembly last week.

The police inquiry has been quietly gathering force over the past two years, but did not really take off until last spring, when charges were brought against Mr Jean-Claude Jammes, president of the Paris-based Société Auxiliaire d'Entreprises (SAE), France's largest building company, and 11 colleagues and executives, many from the group's Marseilles subsidiary, SORMAE.

This was later linked to the other main player in the drama, GSR, a FFr70m-turnover consultancy partnership with two offshoots in Marseilles: Urba-Technic, which advises on public construction contracts, and Gracco, which helps companies sell equipment to local authorities. GSR's chairman and chief executive, Mr Gerard Monate, ironically the Socialist party's chief adviser on police relations, has also been charged, along with two other executives. In theory, they should be covered by the amnesty.

Only fragments of hard evidence, as opposed to pure rumour, have been made public, mostly from four notebooks kept by Mr Joseph Delcroix, an Urba-Technic director and one of those charged.

There is no suggestion that there is anything wrong under present law with giving large amounts of money to the Socialist party, which in any case has always been one of the main reasons for GSR's existence, Mr Monate, who forcefully denies any wrong-doing, has freely admitted this.

The heart of the problem, he explains, is that democracy is increasingly expensive. As a rough rule of thumb, the party needs to spend FFr20 per elector on its campaigns. The solution, he argues, is to regulate large scale political fund raising, rather than to ban it.

The law now awaiting agreement would go further than that. It would set a FFr500,000 limit on individual MPs' election expenses, oblige political parties to publish clearer accounts and set up a watchdog to keep a permanent eye on party financing. What is less clear is the fate of Mr Culiés 33 suspects and the many hundreds of others believed to be the subject of the continuing police inquiries.

The problem is that most of the evidence is in the hands of those covered by the amnesty.

Moldavia factor complicates the view from Moscow

By James Blitz

ONE THOUGHT will preoccupy President Gorbachev's mind as he witnesses the breakdown of order in Romania. It is whether the instability in Bucharest will have any effect on the Soviet republic of Moldavia, whose people have formed, in recent months, one of the most powerful nationalist movements in the Soviet Union.

Both the present territory of Romania and the Soviet republic of Moldavia were part of the single kingdom of Romania before the Second World War, and, in both language and customs, the Moldavians are indistinguishable from the Romanians. Indeed, President Ceausescu has not given up his country's claim to have Moldavia returned.

The "Moldavian" territory was annexed by the former Soviet leader, Josef Stalin, in 1940, after which he differentiated between the peoples in both territories.

Indulging in his taste for historical invention on a grand scale, Stalin decreed that the Romanian language in the new territory should be written in cyrillic, that Russian should be the official language of the republic and that there were historic ethnic differences between "Moldavians" and "Romanians".

In recent months, Stalin's work has begun to unravel in the wake of huge – and sometimes violent – demonstrations in the republic. Moldavian is now officially being written in Roman letters in the republican press, making it indistinguishable from Romanian. And the Moldavian nationalist movement, which is demanding independence from Moscow, has become one of the most powerful in the Soviet Union.

Nevertheless, whatever gains have been made by the nationalists, the one favourable aspect of the situation for President Gorbachev so far has been that the Moldavian Popular Front has not wanted re-unification with a Romania run by President Ceausescu.

Moldavians can easily listen in to the Romanian leader's speeches across the border and they know that they are better off staying where they are.

If Mr Ceausescu were now to leave the scene, however, the possibility of unification with Romania could become a magnet pulling the republic further away from Moscow.

Yesterday, the nationalist Popular Front in Moldavia expressed its contempt for the events in Timisoara: "The Romanians living in Moldavia are mourning their brothers who fell victim to the slaughter of the dictator Ceausescu in Timisoara," said Mr Yuri Roshka, the Moldavian nationalist leader.

"Before the face of tyranny, fear cannot be justified. We, your brothers in Moldavia, abandoned the fear. We were terrorised, arrested, prosecuted but we have chosen the way of liberty," the statement said.

The Moldavian nationalist movement, which is demanding independence from Moscow, has become one of the most powerful in the Soviet Union.

Although Mr Lev Zaikov, the former Moscow Party chief in the Soviet Politburo, called yesterday for a dialogue between party and opposition in the country, there must be some in the Kremlin who feel that any attempt to democratise Romania now would, in the long run, inflame the situation in Moldavia.

Besides this, the breakdown of order in Romania presents the Kremlin with problems that were not posed by the political transition in East Germany and Czechoslovakia.

The Kremlin must know that if political instability develops in Bucharest, it will be much more prolonged than it has been in east Berlin and Prague.

The corruption of the ancien regime in East Germany may have brought bouts of public disorder in East Germany in recent weeks. But the excesses of President Ceausescu in recent years – and, of course, recent days – are on an altogether different scale from Mr Erich Honecker's.

The desecration of villages in Transylvania and the attempts to strip the large ethnic Hungarian population of their ethnic rights have caused misery to tens of thousands of people, and their reaction may be powerful.

Such an intense and prolonged period of disorder on its border, might pose several additional problems for the Soviet leadership.

The cohesion of the Warsaw Pact be damaged if tension between Hungary and Romania were further inflamed. Already, many ethnic Hungarians in the country have been killed in the savage crackdown on Timisoara at the weekend.

Yesterday, the Hungarians tore up a treaty between the two countries, and senior figures in East Germany and Poland have called for a break in diplomatic relations with Bucharest.

Moreover, if there is a total breakdown of order in Romania, the Kremlin might find itself wondering who would restore order in such a situation. Mr Gorbachev's policy towards the East Bloc is often described as one which allows countries to do roughly what they want as long as there is stability. Nowhere in Eastern Europe will stability be harder to come by than Romania.

EC ministers hand Brussels the power to vet large mergers

By Lucy Kellaway in Brussels

THE EUROPEAN Commission will have the sole power to bless or to block large Community mergers, following the adoption yesterday by industry ministers of new rules for merger control.

The agreement, which has been 16 years in the making, was hailed yesterday by Sir Leon Brittan, the Competition Commissioner, as "a historic breakthrough in the creation of a single market".

The new rules will be in place in nine month's time, and will give the Commission power over mergers with a combined world turnover of Ecu5bn (£3.6bn), of which Ecu250m of each company must be within the Community.

Beneath the threshold, mergers will be handled by member states, except where they have asked the Commission to act on their behalf. Brussels will renounce its existing power to block these mergers after the event.

At the request of West Germany the Commission has agreed that in cases where "distinct" domestic markets are involved, member states could re-examine mergers above the threshold which have been passed by Brussels. However, Sir Leon made it clear that these cases would be rare, and would constitute only "the tiniest exception" to the dirving principle of the "one stop" system of merger control.

Agreement was reached yesterday after Britain dropped its insistence that a review of this arrangement should require unanimous approval by member states. The level of thresholds will be reviewed in four year's time, when another argument is almost inevitable. The decision will be taken on a qualified majority vote, making it likely that the new level will be revised downwards to increase the power of Brussels further.

The merger regulation has been welcomed by Unice, the European employers' federation, for ending the present haphazard system under which the Commission has had power to overrule the decisions of national authorities, but only when the merger has taken place.

The new rules gives the Commission one month to decide whether to investigate mergers above the threshold, and four months in which to produce a verdict. It must make its decision on competitive grounds.

Bringing the twelve countries together has meant overcoming deep differences in national attitudes to merger control. Countries like the UK, which have well developed anti-trust authorities, have argued consistently for as little Commission power as possible. Smaller countries with almost no home-grown powers wanted to give Brussels a much larger say. At the outset Britain had argued for a turnover threshold of Ecu10bn, whereas Belgium had wanted less than Ecu2bn.

In addition, some countries had wanted the rules to act as an instrument of industrial policy, taking account of matters other than competition, and encompassing strong reciprocal arrangements for third countries. The final text takes little account of such demands.

Curb on aid for shipbuilders

By Lucy Kellaway

THE European Commission is to cut the maximum amount of aid permitted to European Community shipbuilders, as part of a general move to cut back on all EC subsidies. Maximum aid levels will be cut from 26 per cent to 20 per cent of production costs, in recognition of the better health of the industry.

Sir Leon Brittan, the Competition Commissioner, said he was prepared to phase out subsidies to shipbuilders altogether, although this would be conditional on the adotpion by Japan and Korea of a fairer pricing policy.

He hoped that the Community's decision would send a signal to Europe's competitors. "Such aid as member states do provide is fully transparent and covers all aid – unlike in some shipbuilding nations", he said.

The Commission also announced yesterday plans to simplify its rules on the granting of state aid to small companies. In future, the limits under which aid can be granted automatically has been increased by 50 per cent to companies employing 150 people or less, and with a maximum turnover of Ecu15m (£11m). Aid for job creation has been increased to Ecu3,000 per job from Ecu2,000. This will ease the work pressure on the Commission, which is currently conducting an examination of all large Community aid schemes.

Greek delay on freeing capital

By Kerin Hope in Athens

GREECE HAS been granted a six-month delay in meeting a European Community deadline on freeing capital outflow because of its balance of payments problems. The measures, which would allow Greeks to invest abroad, were due to take effect on January 1.

With the current account deficit forecast to reach at least $2.7bn for 1989, Greece's all-party Government had asked for a year's delay. However, the extension may be renewed for another six months from July, according to Foreign Ministry officials.

Meanwhile, the Bank of Greece has again stepped in to restrict private sector credit expansion by raising the compulsory reserve requirement for commercial banks by one percentage point to 39 per cent of deposits.

Last month, the Bank set lending limits to the private sector in the final quarter of the year at only 5 per cent above the third quarter level. Banks which exceed the limit are penalised by having to place 25 per cent of the loan amount in an interest-free deposit with the central bank for six months.

The new measure is also expected to raise around Drs53bn (£200m) towards financing a record public sector borrowing requirement, which is likely to reach Drs1,930bn for 1989 or almost 22 per cent of gross national product.

To ease its cash flow problem, the Government has postponed until January making payments of Drs120bn due this month, Mr Dimitris Halikias, the central bank governor, said. He added that problems in financing the budget would continue in 1990 unless public spending was radically cut and tax evasion reduced.

Bonn backs advanced railway

By David Goodhart in Bonn

THE West German Government has decided to give its support to the first commercial stretch of the Transrapid magnetic rail system between Cologne/Bonn airport and Essen on condition that private industry, the airport authorities and the state of North Rhine Westphalia also contribute.

The qualified vote of confidence in the magnetic system, capable of speeds approaching 500 kph, was welcomed by Thyssen – the leading company in the group developing the new system – and criticised by environmentalists. However it does not mean that a nationwide Transrapid network, promoted by the system's supporters in the Research Ministry but opposed in the Transport Ministry, will be built.

The first part of the Cologne-Essen track – between the airports in Cologne and Düsseldorf – should be completed by 1996 at a cost of about DM2.2bn (£795m). The whole stretch will cost about DM3.6bn. The Research Ministry argues that Transrapid is a crucial means of reducing congestion in the air and on the roads made even more necessary by growing transport connections between west and east.

● Preussen Elektra, part of the Veba energy group, has not denied reports that it has plans to build a 1,300 megawatt nuclear power station in East Germany.

However it is not yet clear whether East Germany's first democratic government next year, which is likely to have a strong environmentalist streak, will want to harness nuclear power to overcome the country's energy and pollution problems.

Czech communists propose democratic action programme

By John Lloyd in Prague

THE CZECHOSLOVAK Communist Party yesterday gingerly joined the reformist socialist camp, electing a new leadership, adopting a democratic-sounding action programme and publishing from its extraordinary party congress an extraordinary apology to the people for its past misdeeds.

It has declared its attachment to "market socialism" – an attachment which was instantly devalued when Dr Valtr Komarek, the First Deputy Prime Minister with responsibility for the economy and himself a Communist, declared at a government news conference that there was really no such thing, and that "a market is a market, and the theory of market socialism is a very arbitrary one."

Dr Komarek said that the Government intended "to introduce a market economy with no compromises. We want to combine these radical changes with the achievement of prosperity, and in a very short time."

The party chairman – the supreme post following the abolition of that of general secretary – is Mr Ladislav Adamec (63), who until two weeks ago was Prime Minister. The new post of First Secretary, an executive function, is taken by Mr Vasil Mohorita (36), a former chairman of the party's youth movement. Both have identified themselves with reformist currents in the party.

The apology, published on the front page of yesterday's edition of Rude Pravo, the party paper, is cast in the form of a "confession, a dearly won discovery that all political and economic achievements have but a passing value as the only lasting values are human beings and their moral stature, their destiny, their joys and worries, hopes and disappointments, faiths and doubts – briefly, all that represents the essence of their lives."

However, the specifics of the apology concentrate largely on those expelled from the party after 1968, though there is an admission that the former party leadership "showed gross and unlawful disrespect for the right of independent civic initiatives, including Charter 77." The murders, tortures and imprisonments of the 1950s were not touched on.

Later the congress voted to abolish the Workers Militia, the private party guards.

Dr Komarek said the Government believed it could usher in market reforms in a phased manner, avoiding inflation and other shocks which have beset Poland, Hungary and the Soviet Union. New laws on foreign investment, joint ventures and the formation of private businesses would be published shortly.

Polish power threat

By Christopher Bobinski in Warsaw

POLAND'S coal and power industry, as well as the food processing sector, are likely to be worst hit early next year by tough financial measures aimed at curbing inflation.

The policies, enshrined in a mooted agreement with the International Monetary Fund, assume a virtual freeze on wages in the first month of next year, a dismantling of price controls, a balanced budget and a sharply devalued currency.

The Polish Government meets today to approve the text of a letter of intent to the IMF which, once signed, should open the way to new lending from the West.

According to the Government's Central Planning Office (CUP), coal and power, where price and export controls are to be maintained, are most likely to run into financial difficulties, despite a five-fold coal price increase expected on January 1.

Such a development would see these two sectors putting pressure on the budget for increased subsidies, thereby undermining one of the main planks of the stabilisation programme.

According to CUP, the food processing industry, which is already experiencing difficulties as demand falters, is also threatened.

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WORLD TRADE NEWS

UK group in Soviet swords-to-ploughshares deal

By Nick Garnett

SOVIET President Mikhail Gorbachev's desire to turn swords into ploughshares and to curb ferocious Russian drinking habits has brought twin opportunities for food and drink equipment manufacturer APV.

The UK company is negotiating to instal a processed cheese-making line at a disused missile silo in the Soviet Union and a joint venture to make components for food-making equipment in a former Russian military vehicle factory.

This follows its success in the summer in winning a £50m contract to convert empty Soviet vodka factories into plants for making Coco Pops and Cornflakes. The deal with the procurement agency for the Soviet food processing industry includes installing 10 breakfast cereal lines with a capacity of 100m packets a year.

Putting military hardware to civilian use and exploiting a former vodka-production plan for softer and less socially-disruptive goods are not as bizarre projects as they first appear. They reflect two of President Gorbachev's pet concerns: that, in the spirit of military detente, surplus military hardware should be used for civilian purposes, and, on the other, that vodka consumption should be curtailed.

The opportunities have not been lost on APV. "We have to get into eastern Europe while the going is good," said Mr Fred Smith, APV's chief executive. "We have to be where our customers are."

The company's sales in eastern Europe were less than £10m last year but Mr Smith is expecting this to rise to £100m next year. APV, which made a pre-tax profit of £24.2m in the six months to June on sales of £383m, is also extending its manufacturing joint ventures in eastern Europe.

It has a 55 per cent stake in a factory in Bulgaria making food equipment valves which it set up in 1984 with Bio Invest, an organisation formed by the Bulgarian government. It also has 60 per cent of a company in Hungary called APV Ungaro selling components which is being extended to include manufacture of parts for drinks equipment. APV has also formed a joint venture with a Bulgarian company to own and run a facility for producing machinery in East Germany.

With most of these deals, the joint venture company involved has the right to sell its components freely within Comecon countries but sales outside Comecon must be made through APV outlets.

"What you have to avoid is giving them western technology and then letting hem flood your markets with goods," Mr Smith said, "APV has to control its own markets in the West." Mr Smith said APV was buying for the western market some east European-made components, partly to help its east European joint ventures earn hard currency.

Santa Lapps the world

Enrique Tessieri discovers a Christmas enterprise

MANY HUNDREDS of years ago Old Santa fell in love with Finnish Lapland and decided to build his home on Korvatunturi Fell, just over a mile from the northern airport of Rovaniemi – at least that's the story according to the Santa Claus Association, an organisation which includes local companies, the Finnish Tourist Board and the province of Lapland.

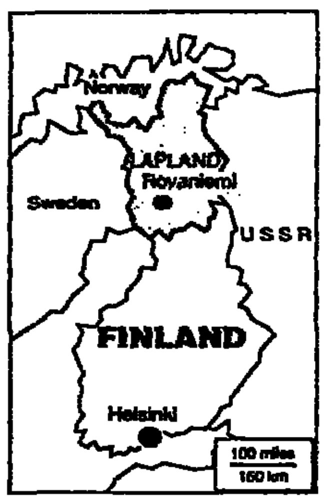
It is no surprise that Santa Claus, or anyone with a taste for the exotic, would end up falling in love with the remote region of Lapland.

Just as well really, as tourism to Lapland is not the easiest of subjects to promote. Nevertheless, Santa has taken to the skies and has made visits this year to Japan, Taiwan, Hong Kong, Singapore, Australia, the US and Italy. Santa usually flies business class and only puts on his costume when leaving the plane.

As every child knows, Santa owes allegiance to no one nation, a point not lost on the neighbouring Swedes. When Finnish Lapland was proclaimed as Santa Claus Land in 1985, the Swedes also got a piece of the action by establishing a company to run Santa's village in the northern Swedish town of Mura.

Ms Pirkko Hannula, managing director of the Santa Claus Association, says her organisation is truer to the spirit of Christmas, being based more on goodwill, while the Swedish body is more commercial and Scrooge-like. Even so, the Finnish Santa is not beyond spotting an opportunity of spreading his goodwill further. He's been eyeing up the chance of landing rights for his reindeer and sleigh at Disneyland in Florida and in Japan.

This year he signed a licensing fee agreement with Japan to set up a new home on Hokkaido Island from 1991 and another one in the eastern Japanese town of Iwasaki Village,



by 1994. These will eat into his Christmas present budget by FM700m (£106m). Ms Hannula says Japanese children take Santa Claus very seriously, writing many of the half million letters Santa gets a year. A common complaint by Japanese children to Santa Claus seems to be that their fathers spend too little time with them and too much of their time at the office. No wonder Santa has spotted a prosperous business environment in the East.

Across the globe, an even more ambitious project includes Disneyworld, where, chimney pot size permitting, Santa Claus will take up residence at the Finnish Village sector. The cost will be around FM600m but Santa will be helped out with some finance from US companies in Orlando. The theme of these two homes outside Lapland will be the same: to promote Finnish Lapland and Finland, Finnish food, culture and trade.

In the liberal, welfare-state spirit, of his Scandinavian homeland, Santa Claus always picks a global theme to convey in his letters (written in Finnish, Swedish, English, Japanese, French, Spanish, German, Italian as well as Korean this year) to the world's children. This year's theme is the environment.

Which is bound to be a great boost for his credibility.

SNCF unveils £630m order for high speed trains

By William Dawkins in Paris

FRENCH railways yesterday announced a FFr6bn (£630m) order for 80 TGVs (Trains à Grande Vitesse), and took options on 30 more to run on its fast expanding domestic network in the mid-1990s.

The order, the latest example of the SNCF's ambitious plans to be the mainstay of a high speed continental network in the next decade, comes three days after it issued a FFr2.6bn contract for 13 trains – each consisting of twin locomotives pulling 18 coaches – to run on northern European routes, including the channel tunnel.

The trains in the latest order will be for continental European lines only, so that they do not have to observe expensive modifications to run on UK electrical current and fit through narrow British tunnels. They each include two locomotives placed at each end of a line of eight coaches, smaller than the channel tunnel model. They will be pressure sealed to allow them to pass through tunnels at 270kmph without causing discomfort to the 400 passengers. A similar TGV model earlier this month set a world rail speed record of 482.4kmph.

This brings to FFr25.1bn the amount the SNCF has spent on buying 307 TGVs since opening its its first service between Paris and Lyons in 1981. Most of them were bought on 15 year leases from commercial banks and from Eurofima, a Swiss-based financing company set up for this purpose, in which the SNCF and the West German railways authority each have 25 per cent stakes. The same system will be used for this contract, said SNCF officials. The lease period is set at roughly half the 30-year maximum working life of the trains.

They will, as previously, be supplied by GEC-Althsom, the heavy engineering company formed from last year's merger of General Electric of the UK and Alsthom of France. Because they are similar to TGVs supplied by Alsthom earlier, the group will be achieving economies of scale, allowing it to drop the price from the more than FFr80m per train charged for TGVs on the SNCF's westbound Atlantique route previously, to around FFr75m, said the SNCF.

By the end of 1994, the SNCF plans to cover 5,800km of line with its TGV service, as against 3,400 now. The new TGVs will relieve the saturated south-eastern line, boost the capacity of the Atlantique route, opened earlier this year, supply a south-western route due to open next year, plus a northern network, leading to Brussels and Amsterdam, in 1993.

Date set for final Uruguay talks

By William Dullforce in Geneva

THE FINAL meeting of world trade ministers to seal the outcome of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) – its most ambitious trade-liberalising exercise to date – has been set for the week beginning December 3 next year in Brussels.

Mr Arthur Dunkel, Gatt's director-general, said yesterday the scene was set for proper negotiations on the liberalisation of world trade.

Gatt's 96 member countries had begun to take specific negotiating positions in readiness for the decisive phase of the Round, Mr Dunkel said.

However, he appeared to be less sure than previously about the possibility of striking deals in some of the 15 areas under negotiation by next summer. He said he would rather not register early agreements, if the price to be paid were to miss agreement on an overall trade-liberalising package.

The climate brightened this week, when the European Community tabled its proposal for the reform of farm trade, opening the door for more intense talks on agriculture.

On the failure to break a deadlock between the US and the EC over the method to be used in making tariff reductions, Mr Dunkel said it had perhaps been presumptuous to think that matters would fall into place more easily in Gatt's traditional areas. But he was confident tariff negotiations would start early next year.

Governments had tabled 266 proposals and the Gatt secretariat had produced 92 papers at the request of negotiating groups in the preliminary phases of the Uruguay Round, Mr Dunkel said.

W Germans win Polish airport deal

By Christopher Bobinski in Warsaw

POLAND's airport authority has decided to grant the contract for a big extension to Warsaw Airport to the West German Hochtiefbau company.

Work on the extension, to cater for an extra 3m passengers a year, is to start soon and to be completed by the middle of 1992. Contracts still have to be awarded for a catering and cargo facility at the airport.

Talks on the financial conditions of the contract are continuing but the work is to be financed by loans from the US Citibank, guaranteed by the West German Hermes state credit guarantee organisation.

At the same time, Orbis, the Polish state-owned tourist company, says objections to a proposed joint venture to renovate and run the Bristol Hotel in Warsaw, with Trust House Forte, raised by the Orbis self-management council have now been removed.

Credit for Algeria

Turkey yesterday extended a $100m line of credit to Algeria through the Export-Import Bank of Turkey (Eximbank) under an agreement signed with the state-owned Crédit Populaire d'Algérie in Istanbul, writes Jim Bodgener in Ankara. This brings to more than $1bn the value of bi-lateral export credit deals negotiated by the young Turkish institution.

The Algerian line of credit will be repayable in two years for consumer goods purchases, and in three years for capital goods. The aim is to double the credit on offer next year.

Cable contract

Sumitomo of Japan has won a $48m contract to supply a submarine optic fibre cable for Perumtel, Indonesia's state telecommunications company, John Murray Brown writes from Jakarta.

The deal, signed this week in Jakarta, will link East Java with Kalimantan and complete a national cable network running from Jakarta to Samarinda.

Indonesia has five telephones for every 1,000 people, compared with 150 in Malaysia and 800 in the US. The latest agreement is part of a $4bn expansion of Indonesia's overloaded telephone system, which aims to double the country's lines by 1994.

Washington asks Taipei for tax cuts

THE US has asked Taiwan to make a record number of tariff concessions in an attempt to cut its huge trade deficit with the island, the Finance Ministry said, Reuter reports from Taipei.

Washington has asked for tariff cuts on 960 products, including petrochemicals, electronics, electric appliances, machinery, fruits and farm processed goods, Wang Derhwai, director of the ministry's Customs Administration, said.

"This is the biggest list we have received from Washington in about a decade," he said. The previous record was in 1987 when Washington asked for tariff cuts on more than 500 items, he added.

Taiwan's huge trade surpluses with the US are the country's major dispute with Washington. The surplus rose to $11.2bn in the first 11 months of 1989 from $9.4bn in the same period last year, according to official figures.

The island had promised Washington it would cut the surplus to $10bn this year.

Representatives from both Taiwan and Washington are scheduled to meet in Taipei on January 8 and 9 for trade talks.

In the past three years, Taiwan has made sweeping tariff cuts on thousands of items, but its trade surplus has continued to grow.

Gulf leaders call for closer economic links

GULF leaders meeting in Oman called yesterday for increased economic co-operation as a step towards a regional common market, but failed to reach final agreement on a unified tariff system at the end of their summit, writes Victor Mallet.

Officials of the six-nation Gulf Co-operation Council have been pressing for unified tariffs to increase the Gulf's leverage in trade negotiations with the EC. Next year's summit is to be held in Qatar.

● The Japanese Ministry of International Trade and Industry (Miti) has agreed in principle to resume medium and long-term government trade insurance with Iraq, Reuter reports from Tokyo.

A Miti official said the agreement came after Iraq proposed this month to resume payments on its Japanese debts.

Blue-Chip Results Again in 1989

Following its excellent performance in 1988, BASF is heading for another record year in 1989. In the first nine months pretax profit of the Group surged 22.1% over the same year-earlier period to DM 3.2 billion. Group sales advanced 10.3% to DM 35.9 billion. Pretax profit of the parent company, BASF Aktiengesellschaft, soared 23.6% to DM 2.4 billion, and sales reached DM 16.9 billion, a growth of 9.5%.

High capacity utilization and a turnaround in the company's oil and gas operations contributed significantly to BASF's performance in the first three quarters.

Particularly brisk demand for dyestuffs and finishing products was the driving force behind the increase in profits and sales. Business in polyurethanes, intermediates and fiber intermediates was also above average.

International sales recorded notable gains. Capital investments were maintained at a high level in line with the Group's long-term strategy of strengthening its international competitive position.

Favorable Outlook

The results posted in the first three quarters, the rise in orders on hand, and continued strong demand for BASF products point to another rewarding year for the Group and its shareholders as well as a good start in 1990 when the company will celebrate its 125th anniversary.

As one of the world's foremost international corporations, BASF is well positioned to reinforce its blue-chip status in the years to come.

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OVERSEAS NEWS

Afghanistan is not working out as the CIA planned

Christina Lamb and Lionel Barber explain the failure of US intelligence to predict the survival of the Kabul régime

TEN years ago this month the Soviet Union invaded Afghanistan. Ten months ago they completed their withdrawal. Throughout the occupation and post-occupation period the US Central Intelligence Agency has been heavily involved in Afghanistan. Now, as before, the CIA is making crucial errors. Afghanistan is not working out as it was supposed to.

The first strategic goal of Soviet withdrawal was completed in February. The second has proved more elusive: the Mujahideen resistance, the CIA's anti-Soviet, anti-Communist client, has been unable to dislodge the communist regime in Kabul and has failed to capture a town since last year.

The present strategy for the biggest covert operation since the Vietnam war, drawn up in Washington and implemented by the Pakistan military intelligence (ISI), rests on two foundations: the formation of an interim government from the seven Afghan resistance movements based in the Pakistani border town of Peshawar, and the use of military force to thrust this government into power in Kabul.

The Afghan Interim Government (AIG) has to date proved to be an unrepresentative and ineffective political vehicle. US officials such as Mr Peter Tomsen, the special envoy to the resistance, recognise that more needs to be done to broaden the AIG's support inside Afghanistan. "Legitimacy is a problem," he says, "and we are working on it."

One idea is to hold elections in the refugee camps, though this has been rejected by two parties as "unIslamic"; another, favoured by Pakistan's Foreign Office and many refugees but rejected by three of the seven parties, is to try to entice Afghanistan's former king, 73-year-old Zahir Shah, into an alliance with the AIG.

But this has been at best a half-hearted diplomatic initiative. "There can be no king-centred alternative," says Mr Tomsen, "because that only helps the Soviets and splits the resistance."

The resistance's most serious weakness remains its inability to deliver on the battlefield. President Najibullah, the Soviet puppet leader whose imminent downfall was widely predicted at the time of the Soviet withdrawal, still controls 26 out of 31 provincial capitals.

For a guerrilla force to capture a well-defended town from a disciplined army with air cover is perhaps asking too much. But US officials are at a loss to explain why the Mujahideen have been unable to cut off strategic highways or airports to prevent the régime receiving crucial military and food supplies from Moscow.

The CIA, which has one of its largest stations at Islamabad, made several serious miscalculations. Their entire post-withdrawal strategy was premised on mass defections from the Afghan army which have failed to occur in significant numbers.

The failed attack in March on the eastern city of Jalalabad, Afghanistan's second city, underlined the inaccuracy of US intelligence. After the fiasco surrounding the Mujahideen's attempts to form the AIG, a military victory was desperately needed. But as commanders around Jalalabad had admitted a few weeks earlier, negotiations with tribal chiefs and army units in the area had almost broken down. In other words, the agencies should have known before the attack that the defections which were essential for success would not happen in the numbers needed.

Mujahideen guerrillas advancing on Jalalabad after fighting at Samarkhel last March

The main commanders refused to attack. But as Mr Tomsen admits, "We do have certain levers", and a willing commander was found from the National Islamic Front of Afghanistan (NIFA), the least well-equipped of the seven guerrilla groups. The attack, with its initial capture of three outposts and a garrison, brought other Mujahideen flooding into the area. Hamid Gailani, an NIFA leader, later admitted the high command knew nothing of the attack until after it had started.

After leaked intelligence reports said Jalalabad would fall within two days, the attack failed. Thousands had died and 70,000 more refugees arrived in Pakistan's already hard-pressed camps.

Yet the CIA had been so confident of a quick Mujahideen success that in the crucial months after the Soviet withdrawal, the flow of arms had been slowed down. As Jalalabad became a long drawn out affair, ammunition ran short and eventually the rebels withdrew. US officials claimed the arms delay was due to a hold up in the Egyptian part of the pipeline but the distribution chief was later sacked.

The CIA began looking for a scapegoat and blamed Gen Hamid Gul, the head of ISI, who was transferred. By blaming Gen Gul personally, US officials hoped to preserve the reputation of what they say is the most sophisticated intelligence agency in the third world.

The problem was that Pakistan's ISI had its own agenda in Afghanistan. The late President Zia ul-Haq had wanted to place a fundamentalist government in Kabul, preferably led by Gulbuddin Hekmatyar, an extremist subservient to Pakistan. After Zia's death, this mission was carried on by Gen Gul, who, like other top ISI officials, was a pan-Islamicist, hand-picked by Zia. Many Western diplomats were concerned that the ISI was fitting intelligence to these policy objectives rather than vice versa. Yet, knowing this, the CIA based its information mostly on ISI intelligence and allowed it a big role in formulating policy.

Doubts about the reliance placed by the CIA on ISI caused divisions within the US embassy, where the ambassador, Mr Robert Oakley, was one of the architects of the US policy which is going so badly wrong. Some dissenting staff were removed.

The concerns were voiced by Mr Ed McWilliams, a career diplomat and former Deputy Chief of Mission in Kabul, who until the summer was US Afghan envoy in Islamabad. A fluent Farsi speaker, he sent several dissenting cables warning that a swift resistance victory was an unrealistic goal, that the ISI's role was questionable and that the AIG was unrepresentative. Mr McWilliams was ostracised from within the embassy and eventually removed.

Although the ouster of Gen Gul in May, has not as first expected led to a change in policy, the CIA has since tried to play a more active on-the-ground role. But British Foreign Office officials say change has been only cosmetic.

Gen Gul's removal was also expected to mean that Pakistan's Foreign Office would take over the dominant role from the military in Pakistan, thus paving the way for a political solution in Afghanistan. This was reappraised when Ms Benazir Bhutto, Prime Minister of Pakistan, visited the US in June. The US portrayed her as a supporter of military aid to the resistance and declared efforts towards a negotiated settlement premature.

The Pakistan Foreign Office now seems to have given up the search for solutions in the face of opposition from the US, an ally Ms Bhutto feels she cannot do without.

Mr Robert Peck, now retired, the diplomat who helped negotiate the 1987 Geneva Accords which led to the Soviet withdrawal, is sceptical: "Ms Bhutto believes that as long as she is a good soldier in Afghanistan, we will keep her in power. Is Benazir Bhutto necessarily in our interests?"

He says the military stalemate means it is time to redefine US interests in the region: "We have a completely different situation on the ground but instead we have been on automatic pilot."

For the moment the non-policy remains, questioned by few outside newspaper columns or diplomatic circles. Almost all those involved in Afghan policy at a senior US level are, like Mr Oakley, old Vietnam war hands who remember the humiliation suffered at the hands of the communists then.

Nevertheless, there is a mounting feeling that the US may have to shift its policy stance soon. That, however, poses a delicate question for President George Bush and Mr James Baker, US Secretary of State: how to sell a new policy to Congress, where a core of influential Democratic and Republican lawmakers are still committed to total military victory for the resistance.

Many Mujahideen, sick of fighting, are saying the only way to force both sides to the negotiating table is for both superpowers to stop supplying arms.

The Soviets are still thought willing to drop President Najibullah, as they were at the time of the Geneva accords, when the policy-makers in Washington made a series of blunders which let this possibility slip through their fingers. The Soviets now require a credible face-saving alternative.

US officials say military pressure must be kept up if they are to secure a satisfactory political solution. But military pressure is not working. Asim Nasser Zia, a resistance spokesman, asks: "Isn't it time the US realised we don't want to fight to the last Afghan?"

Moslems march on Algerian Parliament

UP TO 300,000 Moslem activists marched on the Algiers Parliament yesterday to demonstrate against what they called threats to Islam, witnesses said, Reuter reports from Algiers.

They said separate columns of men and women converged on the National Assembly at noon after marching from the suburbs. The women, in Moslem robes and headscarves, gathered in front of the assembly while the men formed a ring around the building.

The witnesses estimated the demonstrators at between 200,000 and 300,000, most of them teenagers. They were escorted by militants wearing badges of the *Dawa Islamiya* (Islamic League). The league, a recently-formed Islamic fundamentalist party led by Sheikh Ahmed Sahnoun, said in a statement that the march was in protest at "all that threatens the dignity and personality of Moslem womanhood and at aggressions against Islam."

Parliament late on Wednesday passed a law curbing public meetings and demonstrations after a rash of incidents provoked by Islamic militants. The law includes a ban on public meetings in places of worship where Moslem militants are most active. It also obliges organisers of meetings and demonstrations to give several days' notice to the authorities.

Earlier this week, Mr Ali Benflis, the Justice Minister, said certain political parties were using strikes for political ends and had "engendered acts of violence and intimidation."

In past weeks the Algerian press has accused Moslem militants of aggressive behaviour. It said women teachers had been attacked in protests against co-education and the cables of television satellite dishes had been cut to prevent people watching foreign programmes.

Other political parties, academics and intellectuals have reacted by staging street demonstrations in protest at fundamentalist intolerance.

Witnesses said the crowd dispersed peacefully after hearing pleas for calm from organisers. They said security forces kept a low profile and there appeared to be no arrests.

200 dead in Sri Lanka

AT LEAST 200 young men were shot or hacked to death in the worst day of violence in Sri Lanka, residents said yesterday, Reuter reports from Colombo.

"It was terrible. I counted 16 bodies in one spot," a local journalist said from the fishing and farming district of Hambantota, 115 miles south of Colombo where the attacks took place.

Military officials confirmed the discovery of several bodies but declined to comment further on the incidents.

Residents reported seeing bodies strung from trees and lamp posts and others burning on car tyres in and around Hambantota in the 24 hours to yesterday morning.

They blamed the killings on left-wing rebels and pro-government vigilantes hunting the attackers.

The vigilantes are widely believed to include members of the security forces and bodyguards of the ruling United National Party politicians.

About 75 of the victims were believed to have been killed by the People's Liberation Front, a militant nationalist Sinhalese movement fighting to overthrow the Government.

Residents said some of the dead were police informants and those associated with the security forces in some way.

Hopes slip for Mideast peace talks

By Hugh Carnegy in Jerusalem and Lamis Andoni in Amman

HOPES for Middle East peace talks in Washington between the foreign ministers of Israel, Egypt and the US in January have been dampened by the difficulties of reconciling Israeli and Palestinian demands, according to those involved in the negotiations.

Officials in Jerusalem say Israel's participation in the talks – designed to prepare for the first official Israeli-Palestinian meeting – hinges on the willingness of the Palestine Liberation Organisation to play an invisible role in the process. That remains in doubt.

Mr Eliakim Rubinstein, the Israeli cabinet secretary, returned to Israel yesterday from several days of consultations in Washington aimed at clearing the way for the meeting between Mr James Baker of the US, Mr Moshe Arens of Israel, and Mr Esmat Abdel-Maguid of Egypt.

Under a five-point proposal by Mr Baker, they would agree terms for talks between Israeli and Palestinian delegations in Cairo on ways to bring peace to the occupied territories.

Despite conditional acceptance of Mr Baker's plan by both Egypt and Israel, a date has yet to be fixed for the meeting originally envisaged for next month. The key stumbling block is the combination of Israel's refusal to deal even indirectly with the PLO and *Egypt's need to have at least* tacit PLO endorsement for its role in the process.

PLO officials are very sceptical about the benefits of the planned tripartite meeting in Washington, and about the prospects for the Israeli-Palestinian dialogue.

"We do not believe that the *dialogue is possible as long as* Yitzhak Shamir (the Israeli Prime Minister) remains in power and the US insists on ignoring the PLO's central role in the peace process," Mr Abdul Rahim Ahmed, a PLO executive committee member, said in Amman.

He reiterated PLO demands that it should choose the Palestinian delegation and that the dialogue should not be a substitute for a UN-sponsored international peace conference on the Middle East. The PLO also insists that the Palestinian people's right to self-determination is non-negotiable.

The most thorny issue concerns the composition of the Palestinian delegation at the mooted talks in Cairo.

"It is clear to everybody that at this stage the one thing Israel cannot compromise on is to find itself sitting in front of the PLO," said one Israeli Foreign Ministry official. "If reports are true that the PLO is not willing to play the game then we have a problem."

He said Israel did not expect the US to proceed with the meeting of foreign ministers in Washington unless these obstacles were overcome in advance.

Clarification of 'loophole' sought

Doubts raised over Hong Kong passports package

By John Elliott in Hong Kong

HONG KONG'S acquiescence over the 225,000-passport package announced on Wednesday by the British government was put at risk last night when doubts arose about the relationship between the overall 225,000 figure and a basic total of 50,000 announced for heads of households.

This emerged after Hong Kong's legislators had decided to continue pressing London to improve on the 225,000 figure, though they know this is not politically realistic.

Hong Kong's leading businessmen and community leaders welcomed the scheme partly because they believed that an intentional loophole had been left open which would allow for the basic 50,000 figure to be expanded within the overall total of 225,000.

The supposed loophole is a provision that key personnel who are seconded to London for training or other work by British companies operating in Hong Kong would qualify for passports after five years, *even though they may have lived in the UK for only short periods.*

Businessmen and legislators in Hong Kong said on Wednesday and yesterday they assumed that the basic 50,000 people would not have enough dependents to take up the 225,000 and that the surplus could be used for the London trainees.

They believe this could add significantly to the success of British companies in Hong Kong and could also act as an example to other countries to follow. Already France has issued passports to almost 80 local employees of its banks and companies operating in Hong Kong.

However British government spokesmen are saying that the key personnel would have to come within the 50,000. If that is so, the mood in Hong Kong could rapidly change and both the British and Hong Kong governments might be accused by local business and community leaders of bad faith.

The Hong Kong government and lead ing lobbyists are seeking clarification.

Up to now Sir David Wilson, the governor, and his colleagues have ensured that there has been only a quiet reaction. It has been pointed out that strong criticism of the scheme might provoke more right-wing Conservative MPs into joining those who want to reject the plan.

Members of the colony's Legislative and Executive Councils yesterday decided to draw up a new plan aimed at wining more passports later. Mr Allen Lee, the senior legislator, agreed the scheme might be divisive but said that it had been a "step forward" for the British government to accept that it had a responsibility to the people of Hong Kong.

The south Chinese province of Guangdong yesterday agreed to provide Hong Kong with water up to the year 2000, by which time the annual supply will have risen from this year's figure of 600m cubic metres to at least 840m cubic metres, John Elliott writes.

Guangdong's East River has been providing Hong Kong with water for almost 30 years and it now supplies nearly 70 per cent of the colony's total potable consumption. This has not been interrupted by the political difficulties between the British colony and China.

However, when relations become tense, Peking sometimes refers to its potential hold over Hong Kong's 5.7m population. Earlier this week an article in the Peking People's Daily stressed the dependence when it attacked activists in the colony for backing dissident Chinese students.

An agreement signed yesterday, covers water supply from 1995 to 2000. Hong Kong is to provide Guangdong with HK$1.58bn (£126m) to improve the water system on the East River. This will be offset against water charges after 1995.

A planeload of 126 Vietnamese boat people (above) yesterday flew home voluntarily to Hanoi, having failed to qualify as bona fide refugees in Hong Kong. They were the third volunteer group to return since 51 boat people were mandatorily deported in a controversial operation last week.

A total of 770 boat people have now returned voluntarily in the past nine months. A further group of 120-130 is planned for next week, followed by two more planeloads next month.

This is regarded as good progress by the government and shows that last week's mandatory repatriation has not so far disrupted the voluntary programme.

Meanwhile the government is preparing for more groups of mandatory repatriations before the end of February. There are about 56,000 Vietnamese boat people in Hong Kong camps, of whom about 40,000 are liable to be repatriated because they have not qualified as genuine refugees.

Call to take Koor from Histadrut

ISRAEL'S parliamentary finance committee yesterday demanded that control of the struggling Koor conglomerate be wrested from the Histadrut labour federation, Reuter reports from Tel Aviv.

No decision was taken on a request from Koor Industries for government aid, but committee members reported wide accord on the need for new management at Israel's largest industrial concern.

"The members are reaching the conclusion Koor must be rescued from the present owner and another outside operator must be put in charge with the professional skill and the possibility to weigh only business considerations," said committee member Ariel Weinstein.

"The Government should invest $200m in Koor, hand the management to a professional team and later sell the concern to the public," said committee member Haim Ramon.

The committee agreed to meet on Monday to continue discussing Koor, which has more than $1bn in debts.

Board chairman Arnon Gafny said in a television interview that Koor's creditors agreed it was better to attempt a recovery than to liquidate the firm.

Correction

Ayodhya Mosque

In some editions of the Financial Times of December 12 an editorial entitled "Tough Agenda for V.P. Singh" inadvertently referred to the former Ayodhya Mosque in India as a revered Sikh site instead of a revered Moslem site.

The high price of keeping Beirut's telecommunications open

Lara Marlowe tells how businessmen, militia leaders and embassies can keep in touch with the outside — often illegally

LACK OF maintenance, repeated bombardments and sabotage have taken a heavy toll on Lebanon's telecommunications. A local phone call has a one in ten chance of *getting through*, an international call at best one in 100.

Residents of Beirut often resort to telexing one another via Europe, but even the telex lines go down for days at a time.

Greed and corruption may have contributed to this deterioration. Mr Joseph Hashem, the former Minister of Posts and Telecommunications, has been summoned by Beirut's senior investigating magistrate to explain the misplacement of PTT funds during his tenure.

The Lebanese have shown remarkable ingenuity in compensating for the absence of other government services, but a sizeable private investment remains the only way to overcome the communications problem.

Two Beirut companies now offer an alternative to isolation. Inteltec operates from a discreet first floor office in West Beirut's Mazraa district. Tetracom has its headquarters in the Olivetti building in Christian East Beirut, but also maintains an office in Hamra.

For $34,000 anyone – militia leaders, bankers, businessmen, embassies or aid organisations – can buy *their own satellite-linked telephone*, telex and telefax system. Eighty-five are now in use in Lebanon. All of their communications are channelled through the London-based International Maritime Satellite Organisation, Inmarsat.

Lebanese purveyors of telecommunications technology delicately refer to their militia clients as "active forces". Inteltec sells the British Marconi Oceanray 2 which was designed for ships at sea. For an additional $1,600, the buyer obtains a second line.

Mr Jamil Chehabeddine, the head of satellite communications at Inteltec, would prefer to sell a different model. "Marconi's portable Satpax is actually much better suited to Lebanon," he says, "because you can protect *your investment by moving it* quickly when there are bombardments." But at $44,000, the higher price of the Satpax discouraged Lebanese buyers.

Tetracom also markets an ocean-going system, the Norwegian Elektrisk Bureau Nera Saturn 3s. Because competition between the two Beirut companies is intense, they tend to undersell one another.

Messrs Fady Tyan and *Elias* Akel, respectively product and technical managers at Tetracom, estimate that 60 per cent of their business is conducted within the Christian enclave, where Inteltec has no clients. "We didn't choose our clientele along confessional lines on purpose," Mr Chehabeddine says, "But if you are in West Beirut and the (demarcation) line closes, you cannot provide technical support to the east."

As a Christian-owned company, Tetracom seems to enjoy better relations with Christian Lebanese Gen Michel Aoun's military government and Brig Issam abu Jamra, its Minister of PTT. At $8,000 for a Danish-made Dancall DCM 9000 mobile telephone, *directional antenna*, power supply, connection fee for Cyprus Telecommunications (Cyta) and Cyprus Bank guarantee, the cellular telephone is the poor man's answer to the satellite telephone system.

Tetracom has stayed out of the cellular telephone market. "we have nothing to do with Cyprus," Mr Tyan says, referring to Lebanese holders of Cypriot telephone numbers. "It's *illegal. It's a fraudulent* traffic because every country must be able to control its own communications. The tax should go to the Lebanese Government, but they are paying the Government of Cyprus. It's piracy. We are careful to respect the law, because sooner or later there will be a government in Lebanon."

Mr Osama Taljeh, the sales engineer at Inteltec, does not share his competitor's qualms. He has sold nearly 20 of the Danish cellular phone systems this year. "It's a good market," Mr taljeh says. "Unfortunately it's illegal. But people need contact with the outside world and the Lebanese Government has not filled this need. We put the responsibility on the customer. It's not illegal to *sell it*, only *to use it*."

Mr Patrick Smith, the Anglo-Lebanese owner of Smith's Supply and Trading in West Beirut's Sadat Street, bought a cellular telephone and antenna from Inteltec last summer. "I have to talk to my suppliers in Paris and London," he says. "I had a Lebanese 'international line' before. I had to dial until 2:00 in the morning or bribe someone at the PTT to get through. *I know the cellular 'phone is supposed to be illegal.* When Gen Aoun's army gets to West Beirut, we'll give them the phone sets. Because it will be a long time before they get here."

After having the system installed between artillery bombardments last summer, Mr Smith found it did not function on cloudy days. Lebanon's rainy season lasts four months every winter. Mr Smith had to invest another $6,000 after the initial $8,000 outlay to relay his signal from Beirut to the Mount Lebanon range and then 100 miles across the Mediterranean to Cyprus.

"The important thing is to make sure nobody pinches your dish in the *mountains*," *Mr Smith says phlegmatically.* "Nothing works in this country. If you want to last, you have to make big efforts."

Neither the satellite nor cellular phone systems solve the local communications problem. Inteltec and Tetracom both sell domestic networks which allow clients to communicate within their private system in Lebanon.

Inteltec has sold several thousand relatively inexpensive Japanese Icom radio sets for this purpose.

Tetracom represents the top of the line with its Iwatsu (Japan) integrated services digital networks (ISDN). Under the patronage of Canada's Northern Telecom, they have installed 800 digital telephone systems – a total of nearly 3,000 private lines – *for Lebanese clients* over the past two years. Average cost of an ISDN: $100,000.

"We cannot solve the communications problems of the majority of Lebanese people," Mr Akel of Tetracom says, "but we are helping to save the beating heart of Lebanese industry and business."

Mr Tyan is proud of Tetracom's sophisticated research and *development programme.* "We are the first avant-garde company in Lebanese telecommunications," he says. "Obviously, there's a brutal contrast between the technology we're introducing and the state of the country."

PANAMA: US MILITARY INTERVENTION

Price on his head and targets in his sights

Tim Coone examines how a Noriega guerrilla resistance to the US intervention could be waged

"OVERCOME or die" was the defiant message General Manuel Antonio Noriega broadcast to the Panamanian people yesterday from a rural hide-out, in response to the US invasion of Panama this week aimed at deposing him.

With a $1m bounty on his head, offered by the US Government, Panama's strongman was digging in for a long war and threatening to turn the tables on the US by denying it a quick victory.

The jungles of Panama now beckon like a treacherous quagmire to the 24,000 troops of the US invasion force.

By the end of the first day of fighting, US forces appeared to be in control of strategic points in the capital, at the Pacific end of the Panama Canal, and in the city of Colón at the Caribbean end. The situation in the interior of the country was far less clear.

Gen Noriega's declared strategy to confront a US invasion is to scatter his 15,000-strong Panamanian Defence Forces (PDF), and an estimated 10,000-strong militia force known as the Dignity Battalions, to wage a guerrilla war in the cities and countryside. US losses, put yesterday at 18 dead and 151 wounded, will grow steadily if the PDF and militias hold firm under the general. The resistance displayed to the invasion until now is indicative that a significant proportion may be doing so.

The US Defence Department was saying "mopping up" operations will take up to three days. Also in Washington, though, it was being reported unofficially that it will take at least six weeks until the bulk of the invasion force can be withdrawn. Indeed, the establishment of law and order, and of entirely new army and police forces, will take months rather than weeks and could require further US troop reinforcements. The extensive looting that took place in Panama City on Wednesday night by civilians and armed groups suggests that US troops will have their hands filled simply to establish firm control over the areas they have already seized.

Central to Gen Noriega's strategy now will harassment of US forces with his troops and militias, without big confrontations. This would minimise the effect of superior US fire power. He has drawn heavily on the experiences and training of Cuban and Nicaraguan military advisers, as well as on the experiences of the well-tested FMLN guerrillas in El Salvador.

Meanwhile, the longer the war lasts the more politically damaging it will be for the Bush administration and for Mr Guillermo Endara, who has now been established by the US as the new President of Panama. He was the unofficial victor last May of a presidential election annulled by Gen Noriega.

The opprobrium against the general for his fraud over those elections might be gradually overshadowed by opposition to the US invasion and its supporters, if the intervention leads to a grinding guerrilla war.

It should not be overlooked that an estimated 30 per cent of the Panamanian people voted for Gen Noriega's political alliance Colina in the May elections. This reflects the latent anti-American sentiment in Panamanian society, successfully exploited in the past by nationalist leaders. It is also a sufficient social base from which to wage a guerrilla war.

If Gen Noriega survives the next few weeks and manages to rally national and international support for his resistance to the invasion, he might even convert himself into a folk hero and rehabilitate himself in more Latin American eyes. US military intervention is always strongly opposed in Latin America, regardless of the target.

Another factor may also work in his favour. The heavy civilian casualties in the first day of fighting this week – an estimated 100 dead and more than 1,000 wounded, largely as a result of the use of heavy weapons by the US troops to minimise their own casualties – will readily alienate many Panamanians as well as foreign politicians if the fighting continues.

Moreover, sabotage to the Panama Canal cannot be ruled out. Gen Noriega had been careful not to overstep his mark and interfere with the canal's operation, just so as to avoid a US invasion. Now that motive for caution has gone, he has little to lose by retaliating against the canal or US shipping using it. Even more US troops might have to brought to prevent such attacks along the canal's 70 kilometres. The trans-isthmian oil pipeline would be another obvious target for attack, as would US property and businesses, as well as the 35,000 US citizens living in Panama.

So if the wily Gen Noriega cannot be tracked down and captured soon, nascent US fears of a costly, prolonged and bloody engagement in Panama could become a reality.

After more than 24 hours of fighting, the prospects are not encouraging. Gen Colin Powell, head of the US Joint Chiefs of Staff, admitted in Washington on Wednesday: "We don't know where he is."

US spending figures recover from fall

By Anthony Harris in Washington

US CONSUMER spending in November recovered from its fall in September and October, but saving also rose to a new high, the Commerce Department announced.

It also said that investment plans call for a 6.4 per cent increase in plant and equipment expenditure for 1990, down from an estimated 10.3 per cent this year. In real terms, these increases are 8.5 per cent in the current year, and 4.9 per cent for 1990.

Both indicators are consistent with a sluggish economy, but may reduce fears of a recession.

Personal spending rose 0.7 per cent in November, or 0.4 per cent in real terms. Over the last three months, spending has risen by 0.4 per cent in cash, and fallen 0.8 per cent in real terms. The rise in disposable income in the month was 0.9 per cent, so that saving rose further to 6.1 per cent of disposable income.

However, the trend increase in incomes appears to be well below the November figure, which was inflated by receipts of farm subsidy payments, and of bonuses in the depressed motor industry.

This suggests that future increase in income and spending will be smaller, and saving may relapse.

The figures also reflect the current manufacturing recession.

Brazilian prices surge renews economic jitters

By Ivo Dawnay in Rio de Janeiro

AN ALARMING surge in Brazil's already huge inflation rate has sent a new wave of jitters through the economy, forcing President-elect Fernando Collor de Mello to assure markets that he is not preparing to freeze prices.

Preliminary government figures gathered in five metropolitan areas this month showed the rate of price rises up at least 13 percentage points to more than 54 per cent, compared to 41.4 per cent last month, and well above official forecasts.

The markets reacted accordingly, with gold and the black market dollar both rising after their fall at the confirmation this week of Mr Collor's victory in the presidential election on Sunday. Inflation this year is set to reach a record of 1,700 per cent plus.

Economists fear that businesses trying to anticipate measures, now deemed inevitable when the new president takes office on March 15, are fuelling inflation.

In a bid to calm the economy and reduce pressures for an early hand-over of the presidency, Mr Collor's political colleagues were assuring the media yesterday that no new shock – now the standard euphemism for a price freeze – is planned.

Congressman Daniel Tourino, leader of Mr Collor's National Reconstruction Party (PRN) in Congress, tried to make an implicit distinction between freezes and other types of inflation-dampener: "There will be no shock, but there will be tough measures."

Washington wins the PR battle

By Peter Riddell, US Editor, in Washington

THE Bush administration has won the domestic public relations battle over the Panamanian intervention, thanks to some skilful and well-timed news presentation.

Since President George Bush's nationally televised address at 7.20am on Wednesday there has been a regular flow of Cabinet officials and generals to explain what has been happening in an apparently frank and open way.

Even before the action started, the public relations operation was under way. Even though Mr Bush decided on military intervention on Sunday, the intention was disguised on Monday and Tuesday as he went about the usual pre-Christmas round.

Once the action began, the administration had the initiative and the television networks were forced to rely for much of the time on telephone calls from Panama and a few pictures. Mr Bush was able to set the agenda, and he was followed by a lengthy briefing from Mr Dick Cheney, Defence Secretary, and General Colin Powell, chairman of the joint chiefs of staff.

By contrast, the reporting out of Panama was sketchy and incomplete. A small group of US reporters and photogrphers drawn from a prearranged Department of Defence national media pool was flown to Panama early yesterday.

The pool, whose members make their reports available to other news organisations, was formed after complaints about news restrictions on the 1983 US military invasion of Grenada. However, the pool had little access on Tuesday, partly because of military priorities.

Many news organisations already had reporters and television crews in Panama City and that led to the one part of the story which the US authorities could not control – about the intimidation and hostage-taking of journalists at the Marriott Hotel.

Mr Cheney remarked sharply yesterday that "there were a number of people in the hotel who were frightened and they had telephones and access back to the US. They called news organisations and others; and the situation got elevated to a higher level. There were a lot of other frightened people in Panama City too – not just those in the Marriott Hotel."

But in reporting wars, access and the ability to communicate back home is everything.

Two of Panama's Christmas week visitors from the US, unseasonably uniformed, take up position

US invasion forces faced continuing resistance in Panama City yesterday from militia and regular army units loyal to General Manuel Noriega, Tim Coone reports from San José, Costa Rica.

According to telephoned reports from eyewitnesses, a main focus of continuous skirmishing is the Panama City suburb of San Miguelito. Civilian casualties were reported heavy as US troops used tanks, heavy artillery and aircraft to suppress resistance to their efforts to take full control of the capital.

However, it is in the west of the country around Panama's second biggest city of David, where some of the heaviest fighting can be expected in days to come. Troops and militia loyal to Gen Noriega were regrouping in the west of the country around David and preparing defensive positions. Along the 50-km highway between David and the Costa Rican border, roadblocks manned by militia were reported in place every few kilometres.

It seems the 24,000-strong US force has been trying mainly to secure the capital, the city of Colón at the Caribbean end of the canal and installations immediately by the canal.

President's support conditional

By Peter Riddell in Washington

PRESIDENT George Bush was yesterday still winning the support of the vast majority of Americans for the US military action in Panama, though with some doubts being expressed about the longer-term costs and implications.

The initial military action having been accepted as a success, attention turned to the continuing opposition in Panama City and the countryside, to finding General Manuel Noriega, to establishing the authority of the new Endara Government in Panama, and to relations with the rest of Latin America.

Politicians and newspaper editorialists agreed with Mr Bush's view that the action had been made inescapable by the increase in violence and threats against US forces and citizens stationed in Panama.

The instinctive US desire to back troops when in action and suffering casualties pushed doubts into the background. Also, in the US, Gen Noriega is easily cast as a villain.

An overnight ABC News poll found that 80 per cent of those surveyed backed the invasion, with only 17 per cent against. This was a greater approval rating than for the US invasion of Grenada in 1983 or the US bombing of Libya in 1986.

The Democratic Congressional leaders – as well as, more predictably, the Republican Congressional minority – supported the decision. The few doubts came from Democratic Senators Claiborne Pell and Edward Kennedy, and from some House Democrats, who were worried about the decision to take unilateral action, rather acting with Latin American countries.

Yet the general support is in part conditional on the operation not involving a long-term US commitment. Mr Dick Cheney, Defence Secretary, yesterday was raising hopes of bringing back the 9,500 reinforcements sent from the US within a few weeks.

Senator Robert Dole, the Republican minority leader, said he did not want to see the US as an occupying force.

The problems of establishing the authority of the Endara Government are also accepted in Washington. Senator Sam Nunn, Democratic chairman of the Senate Armed Services Committee, said the US now faced the dilemma that "we would have been better off if we had been able to work with the Panamanian Defence Forces that tried to overthrow Noriega in October, because now we've got to make sure we can separate the good members of the PDF from the bad, because they have in effect become the police force there.

"We do not want to become the police force, so the challenge will be to restore order and to get people in the PDF that are not involved in drugs to recognise that we're not their permanent enemy. That's going to be important to keep us from becoming a permanent occupying force."

Overall, Mr Bush has won time – and perhaps considerable political advantage before the Congressional elections next year – but he has to follow the early success to show that Panama will not become an abiding burden for the US.

Jurists question legal grounds for Panama invasion

By Robert Graham

THE legal grounds used by the Bush administration to justify Wednesday's big military intervention in Panama are being questioned by some international jurists.

The action was in accordance with Article 51 of the United Nations charter and Article 21 of the Organisation of American States charter, according to Mr James Baker, US Secretary of State. This accords the right of self-defence "if an armed attack occurs against a member of the organisation".

The immediate *casus belli* in Panama was the shooting of a US officer in Panama City and the reported threat of a commando-style attack against US personnel. According to Rosalyn Higgins, Professor of International Law at the London School of Economics, Article 51, when read in conjunction with other articles of the Charter, is clearly intended to cover instances of organised armed attack against states and not individuals.

"The US under the Reagan Administration began taking the view that this article could be applied to cover cases of armed intervention where individual members of the armed forces were subject to attack," says Prof Higgins. This was the legal justification for the 1986 Libyan bombing raid in retaliation for the death of two US servicemen in a Berlin nightclub terrorist bombing.

No other nation has invoked Article 51 in the same way and the US interpretation is not shared by a number of international jurists, according to Prof Higgins. However, the US on Wednesday also invoked Article Four of the 1979 Panama Canal Treaty, which permits American forces to intervene to protect the canal if its operations are threatened. Here the US has produced no direct proof that the operations were threatened. Indeed, the US intervention itself apparently forced the canal's first closure in its 75 years.

Where bringing Gen Noriega to justice is concerned, the US cites a Justice Department opinion that US military forces have the legal power to go to foreign nations to arrest fugitives wanted in America and turn them over to US legal authorities. Gen Noriega was indicted in a Florida court on February 4 1988 on charges of drug trafficking.

This opinion was given on November 3 and related to dealing with the Colombian drug barons. On this issue, according to Prof Higgins, many jurists disagree with such broad extra-territorial powers.

International law recognises certain instances of 'universal jurisdiction' permitting countries to try offenders in their courts regardless of where the offences were committed. Prof Higgins believes drugs still fall into a grey area where application of the principle of "universal jurisdiction " is doubtful.

Another more confused legal aspect concerns the position of Mr Guillermo Endara, the opposition leader who was sworn in as president by a judge an hour before the intervention. He was then able to invite in the US forces so that the Canal Treaty was not breached. Mr Endara was regarded to have been robbed of the presidency by the rigging of the May elections. But these elections were subsequently annulled because of the outcry over their rigging.

The question of who represents Panama has been a thorny diplomatic issue ever since February 1987, when Gen Noriega forced Mr Eric Artur Delvalle from the presidency.

Mr Delvalle was installed by Gen Noriega in October 1985 (to US protests) when the then president, Mr Nicolas Ardito Barletta, was forced to resign by Gen Noriega.

● The Panama Canal was reopened yesterday to limited daylight traffic, having been closed on Wednesday after the US invasion, for the first time in its 75-year history, the Canal Commission said, Reuter reports from Washington.

Normal 24-hour passage of ships through the canal is expected by the weekend. The canal handles an average of 33 ships daily.

● The Soviet Union yesterday condemned the US "massive invasion" of Panama as "a flagrant violation of the fundamental principles of the UN Charter and norms of relations among states," Quentin Peel reports from Moscow.

The strong statement, reminiscent of old polemics between the superpowers, described the US action as "an act of outright international arbitrariness" and demanded that it should end.

Yet despite the strong words, observers in Moscow are convinced that the Soviet Union would not want the Panama invasion to sour the steady improvement in superpower relations.

Debt, inflation continue to hamper Latin America

By Barbara Durr in Santiago

LATIN AMERICA and the Caribbean finished an economically bleak decade burdened with debt and soaring inflation rates in 1989, according to the annual report of the UN Economic Commission for Latin America and the Caribbean (Eclac).

The region managed to raise its gross domestic product during the past year by just 1.1 per cent – more than the 0.6 per cent of 1988 but 9 per cent down on growth in 1980. Economic expansion in 1989 failed to keep pace with population growth, and the per capita domestic product fell for the second year in a row, this time by 1 per cent. The product per head in 1989 fell to the level of 1978. Average annual inflation for the region climbed to 1,000 per cent, with the highest rates recorded in Argentina (nearly 4,000 per cent), Nicaragua (3,500), Peru (3,000) and Brazil (nearly 1,500).

Mr Gert Rosenthal, Eclac executive secretary, said anti-inflation drives dominated economic policy in the region during 1989, but only four countries managed to cut inflation significantly.

Mexico was the most notable example, trimming its 1988 rate of inflation of 52 per cent to less than 20 per cent in 1989. Foreign debt, now up to $416bn, continued to be a shackle on the region's ankles. Net inflows of capital totalled just $13.7bn, largely for loans by way of rescheduling so as to remedy debt service problems, while interest and profit payments rose to $38.3bn.

Thus, Latin America and the Caribbean's net transfer of resources abroad was $24.6bn in 1989 – down from $34.2bn last year but still considered unsustainable. The region has been a net exporter of capital for eight consecutive years, with total net transfers surpassing $200bn. The toll of this bleeding is that fewer countries are able to keep up their payments. Only five countries have been able to service their debt fully and on time this year. The region's exports rose to $110bn (fob), up 9 per cent from the level last year.

But the rate of growth has slowed. During the previous two years, exports grew at 14 per cent. Imports expanded by 8 per cent in 1989, leaving a commercial balance of $28bn. However, this surplus represented no more than just 73 per cent of debt service and remittance payments.

So the current account was short by $11bn for the third straight year. Since 1980, the region's export push has lifted export volume by 57 per cent, but poor prices meant that the value of these added exports gave an increase of only 24 per cent over the decade.

Mr Rosenthal said one of the most worrisome features of the region's economic outlook was that Latin American and Caribbean countries appeared to be approaching the limit of their capacity to adjust.

While raising exports has been regarded as the solution to debt repayment problems, Mr Rosenthal saw a deepening stagnation in export volumes, which may mean the export-led solution is no longer viable without substantial new investment. Yet, the report notes that new investment to expand productive capacity is inhibited precisely because of the debt repayment difficulties.

OECD WORLD REPORT

OECD points to continuing risks

By Peter Norman, Economics Correspondent

SUSTAINED, satisfactory economic performance in the big industrial countries cannot be taken for granted despite projections of steady expansion over the next two years, the Organisation for Economic Co-operation and Development warned yesterday.

In its latest Economic Outlook, the OECD said there were signs that its assessment of future economic trends might be too cautious. The buoyant performance of the industrialised world since 1987 could reflect substantial structural changes such as the integration of markets and the introduction of new technologies that improve productivity.

But it also underlined a number of risks and pressures that should continue to concern policy makers and deter complacency.

● Although industrial country inflation is forecast to be steady at 4.5 per cent, there is little margin to absorb shocks, while wage settlements could produce greater inflationary pressures than those foreseen by the OECD.

● The monetary tightening of the past year could slow output more than anticipated.

● Unemployment is likely to stay high in OECD countries.

● Little further adjustment of the large US current account deficit and the West German and Japanese surpluses appears in prospect.

● Doubts surround the adequacy of private savings in many countries and underline the need for nations running budget deficits to cut them.

● Recent events, such as the sharp stock market fall in October, raise questions about financial markets' stability.

● The problems of heavily indebted countries remain unresolved, and:

● The future of the multilateral trading system is still uncertain, with protectionist sentiment strong as the Uruguay Round of trade talks enters a critical phase.

The OECD said there are three reasons why governments should be concerned about inflation.

If current inflation rates are tolerated for too long, they will be seen as a floor, influencing expectations and increasing the ultimate cost of bringing inflation down.

A more immediate risk comes from pressure for higher wages. The organisation therefore urged governments to commit themselves to anti-inflationary monetary policies and take a tough line in public-sector wage negotiations while making markets more competitive.

External imbalances are another preoccupation for the OECD. These are "not a matter for indifference," the report said.

US action to eliminate the federal budget deficit, together with reforms in Japan and West Germany to liberalise the service sectors of their economies and make their financial markets and currencies more liquid, would also reduce "unwelcome pressures" on monetary policies and cut the risk of destabilising currency movements, it said.

In the longer term, it advocated a strengthening of commitments to stable exchange rates and the economic policies that support them to reduce the overall volatility of the financial environment. Such commitments would be contingent on progress towards price stability, fiscal consolidation and structural flexibility in the economies of the industrial world.

The OECD suggested that satisfactory economic performance in future years might require a reinforcement of current commitments to co-operation.

Reduced east-west tensions could lead to a scaling down of defence spending in the industrialised countries and give scope for lowering public spending or a shift in its composition to meet educational, infrastructure or environmental concerns.

OECD Economic Outlook No. 46. December 1989. OECD 2 rue André-Pascal, 75775 Paris Cedex 16, FFr100; or through HM Stationery Office.

SUMMARY OF PROJECTIONS*
(Seasonally adjusted at annual rates)

	1988	1989	1990	1991
Real GNP (%change*)**				
US	4.4	3.0	2.3	2.5
Japan	5.7	4.8	4.5	4.3
Germany	3.6	4.3	3.2	3.1
OECD Europe	3.7	3.5	2.8	2.7
Total OECD	4.4	3.6	2.9	2.9
Inflation (GNP/GDP deflator)(%change*)**				
US	3.3	4.3	4.4	4.5
Japan	0.4	1.3	2.6	2.5
Germany	1.5	2.6	3.0	2.8
OECD Europe	4.9	5.6	5.4	4.8
Total OECD	3.5	4.3	4.5	4.3
Current Balances $bn				
US	-126.6	-121.5	-118.1	-123.8
Japan	79.6	60.8	61.1	66.6
Germany	48.5	60.9	70.8	75.7
OECD Europe	16.1	6.1	10.9	10.4
Total OECD	-50.2	-65.3	-72.3	-71.4
OPEC	-14.8	-1.8	-0.7	-0.1
Non-OPEC dev countries	4.5	-8.6	-12.1	-12.6
Unemployment (%of labour force)				
US	5.5	5.2	5.4	5.5
Japan	2.5	2.3	2.3	2.3
Germany	7.9	7.3	7.1	7.2
OECD Europe‡	9.6	9.0	8.9	8.9
Total OECD‡	7.0	6.6	6.6	6.8
World Trade**(%change***)	9.0	7.6	6.4	6.8

*Assumptions include: no change in policies; no change in exchange rates from 31/10/89 i.e. $ = Y142 and DM1.84; oil price $17 per barrel for second half 1989 and constant in real terms thereafter.
**Average of growth rates of world import volume and world export volume.
***from previous period.
‡ Historical data revisions mean actual and projected unemployment rates are lower than in the previous Economic Outlook by 0.5 %point for OECD Europe and 0.3 %point for Total OECD.

Growth expected to slow to 3% a year

ECONOMIC growth in the industrialised countries of the world is expected to slow to around 3 per cent a year in 1990 and 1991 after six successive half-years in which growth has been measured at annual rates of around 4 per cent, the Organisation for Economic Co-operation and Development said, Peter Norman writes.

In its latest half-yearly Economic Outlook, the OECD said the projected slowdown would return average growth in its 24 member countries to a pace close of that of potential output.

But it warned that further progress was likely to be limited in lowering inflation from its current OECD average level of around 4.5 per cent and in reducing the large current account imbalances among major OECD countries.

The report said that the sharp decline in OECD unemployment, which began in 1985, may come to an end. Unemployment is forecast to average 6.6 per cent of the OECD labour force in 1989, 1990 and 1991, with the number of jobless creeping upwards to 26.3m in 1991 after having bottomed out at 25.4m in 1989.

While activity is expected to slow in nearly all OECD countries next year, the latest OECD report points to a considerable differentiation in performance among the seven leading industrial countries.

Growth in the "Anglo-Saxon" nations – the US, Britain and Canada – will be below the OECD average in both 1990 and 1991. US growth is forecast to dip to a seasonally adjusted annual rate of 2.2 per cent in the first half of 1990 before recovering to 2.5 per cent in 1991. In Britain, growth is forecast at a low 1.3 per cent next year – in line with the most recent Treasury forecast – and 1.9 per cent in 1991.

Japan, while slowing, will be the only big economy to sustain growth at more than 4 per cent a year in the two years of the OECD forecast period.

Customers to get discount for payments in cash

Credit card industry to face competitive code

By David Barchard

MEASURES to stimulate competition in the credit card industry and strengthen the hand of retailers when negotiating with the banks were announced yesterday by Mr Nicholas Ridley, the Trade and Industry Secretary.

Retailers will be allowed to offer a discount to customers who pay in cash rather than with a credit card. This was recommended by the Monopolies and Mergers Commission last summer in a report on the credit card industry.

However Mr Ridley said yesterday that he had decided to go further than the MMC's recommendations after noting its finding that the profits of the five main card issuers, accounting for 80 per cent of the market, appeared to be excessive.

In a virtually unprecedented move the banks will now have to disclose to the Director General of Fair Trading information for publication about the way they charge other banks.

Mr Ridley added that he would consult the credit card organisations before making an order under the Fair Trading Act.

Retailers were jubilant about Mr Ridley's statement which came in a written reply to a parliamentary question, while banks made little attempt to conceal their disappointment and surprise.

"This is the best Christmas present we could have had, Mr Ridley has abandoned the no discrimination rule and accepted that the banks are making excessive profits," said Mr Bob Woodman, director of the Retail Consortium which handles negotations with the banks for the large chain stores.

Retailers are particularly pleased that the banks will now be under pressure to alter the standard charge at the heart of the credit card system.

This is the flat 1 per cent on each credit card transaction paid by a retailer's bank to the bank issuing the credit card used in it.

Retailers have been urging for some years that this charge should be competitively determined.

Mr Ken Bignall, chief executive of Barclaycard, said that he was disappointed that the Government had decided to accept the MMC's recommendation to allow discounts for cash payment.

He warned that the move might mean that some retailers might use the opportunity to make excessive charges to users of credit cards.

"The decision seems perverse given that the MMC's own survey showed that retailers opposed the ending of the rule by a majority of two to one and card holders opposed its removal by four to one," Mr Bignall said.

However Mr Gerald Solomon, senior general manager for UK Retail Banking at Lloyds Bank, said he thought that cash discounts would make very little difference in practice.

The National Consumer Council welcomed the decision. "We are also pleased that Mr Ridley intends to take powers to insure that where more than one price applies to a product it is made clear to consumers," said Mr Maurice Healy, director of the NCC.

Senior staff for Toyota to be hired in the UK

By Kevin Done, Motor Industry Correspondent

TOYOTA, the leading Japanese car maker, is to start appointing British senior staff for its planned UK car assembly and engine plants early next year.

The company yesterday announced the formal setting up of a subsidiary, Toyota Motor Manufacturing (UK), in Derby, which will be responsible for the management of the two plants, and appointed three senior Japanese managers to head the company.

It said it planned to appoint British staff to some senior jobs, including the directors of manufacturing and of corporate affairs, and said that local executives would be added to the company's board.

Toyota announced plans earlier this year to invest £840m in the UK to build a 200,000-cars-a-year assembly plant in Burnaston, near Derby, and an associated engine plant at Shotton, Deeside in North Wales. TMM (UK) will be capitalised at £250m and will be Toyota's first wholly-owned European manufacturing company.

Construction of the two plants will begin in spring next year with completion scheduled for the end of 1991. Production is scheduled to start in late 1992.

Toyota has appointed Mr Yukihisa Hirano, who is general manager of Toyota's machines and tools division in Japan, as managing director of the UK subsidiary.

Toyota has also appointed two deputy managing directors, Mr Hiroaki Watanabe, an engineer and general manager of the production engineering planning division in Japan, and Mr Takeshi Nagaya who will also be company secretary.

Toyota will begin recruiting production workers for the two plants in late 1991. The company said that the 1.8 litre cars to be produced in Burnaston were targeted to reach a 60 per cent local content level by August 1993 and 80 per cent by August 1995.

Nissan, Honda, and Toyota, are currently investing more than £1.8bn in the UK.

New law to curb unofficial strike action

By John Gapper, Labour Editor

THE GOVERNMENT yesterday unveiled measures to limit unofficial strikes and end the pre-entry closed shop in British industry. But many cases of wildcat action are unlikely to be directly affected by the new Employment Bill.

The Government's measures against unofficial strikes - partly prompted by unrest among drivers on the London Underground railway network this summer - are only likely to curtail premeditated unofficial strikes and those lasting several days.

Many wildcat strikes in British industry are spontaneous walkouts which end quickly. However, Mr Norman Fowler, Employment Secretary, said the Bill would set new standards and indirectly help curb such strikes.

The Bill will allow people refused a job because they are non-unionists - or because they belong to a union - to complain to an industrial tribunal. They will be eligible for compensation of up to £8,925.

Mr Fowler said the move against the pre-entry closed shop, which the Government estimates covers 1.3m employees, was a historic step. He called for unions to take immediate steps to dismantle remaining closed shops.

The Bill received unexpected support from the opposition Labour Party and the Trades Union Congress this week after Mr Tony Blair, opposition Employment Secretary, argued that backing for the European Social Charter was consistent with it.

Mr Blair yesterday described the Bill as "a grubby and irrelevant measure designed to re-run the debates of the '70s, not address the key issues of the 90s - training, skills, investment and the industrial base."

The Institute of Personnel Management said it remained opposed to significant extensions of the law in industrial relations. It said the pre-entry closed shop measures raised the risk of fragmentation in collective bargaining.

A new law for the working man

John Gapper, Labour Editor, looks at the new Employment Bill

THE EMPLOYMENT Bill published yesterday is intended by the Government to tackle three "longstanding problems" within British industrial relations: the pre-entry union closed shop, secondary industrial action and unofficial strikes.

After the Labour Party's switch to backing measures against the pre-entry closed shop - under which people are required to be members of a union or join one before being recruited - the main area of controversy is over unofficial strikes.

The provisions against unofficial strikes - requiring unions to repudiate or adopt them, and allowing selective dismissal of unofficial strikers - are not likely to affect directly most cases of wildcat action.

The bill does not include the abolition of the remaining 26 wages councils, which set minimum hourly pay rates for about 2.5m workers. This was proposed in a consultation paper in March published along with a Government discussion paper.

The moves against the pre-entry closed shop nullify provisions of Labour's 1974 and 1976 Trade Union and Labour Relations Acts, which made it lawful to dismiss employees for refusing to join a union.

Mr Norman Fowler, Employment Secretary, emphasised the bipartisan support for action against the closed shop. Mr Tony Blair, shadow Employment Secretary, said the Government should also end the blacklisting of union members.

● Closed shop: The bill makes it unlawful to refuse to employ a person because he or she belongs - or does not belong - to a union. It will also be unlawful to reject a person who refuses to join or leave a union as a condition of employment.

People who think this is the reason they have been refused a job may complain to an industrial tribunal. The tribunal will be able to order instatement in the job, or award compensation of up to £8,925.

Where there is an arrangement such as a labour pool through which a union supplies an employer with new recruits, and someone not in the pool is refused a job, that will be treated as discrimination on the grounds of union membership.

If a job advertisement indicates that employment is only available to union members, or non-members, a person who does not satisfy the condition and is refused a job will be assumed to have been discriminated against.

These provisions are extended to employment agencies acting on an employer's behalf. An employment agency will also be barred from refusing any services to a person on the grounds of union membership or non-membership.

● Unofficial action: Unions will become legally responsible for organising industrial action in a wider variety of cases. For the first time, they will be liable for industrial action organised by any officials, paid or otherwise.

At the moment, only strikes sanctioned by paid officials of the union are counted as being official. The bill means that shop stewards and local committees of lay officials will be counted as agents of the union.

If a steward calls for unofficial industrial action, his or her union will be liable unless it repudiates the action and gives written notice of repudiation to every member who has taken, or may take, action in response.

The bill lays out a standard form of repudiation that the union must communicate to its members. The alternative is that it must adopt the action and hold an industrial action ballot to make it official action within the law.

Employers will also have more freedom to dismiss workers in a unionised workplace selectively for taking part in industrial action. At the moment, an employer must sack all or none of workers taking action.

Under new arrangements, unionised workers taking part in unofficial action may be sacked selectively without recourse to an industrial tribunal. This will also apply to a small pocket of non-union members among a group of unionists.

However, non-union members who group together to take strike action in a workplace without a recognition agreement will not be similarly liable for selective dismissal.

If a union has repudiated industrial action by writing to its members, a working day must be allowed after the date of repudiation before the takers of unofficial action become liable to selective dismissal.

Finally, the immunities from civil damages for officially-organised industrial action will be removed in the case of strikes in support of people who have been selectively dismissed for taking part in unofficial action.

● Secondary action: The bill removes immunity from claims for civil damages for all forms of secondary industrial action - cases where employees going on strike have no direct dispute with their own employer.

This replaces complicated arrangements in the 1980 Employment Act under which some forms of secondary action are be legal if they meet a series of conditions. The law has not been fully tested, and is considered ambiguous.

The bill also extends the definition of secondary action to cover action organised among people performing services under any type of contract. At the moment, only those directly employed under employment contracts are covered.

● Miscellaneous: The Commissioner for the Rights of Trade Union Members will be able to give financial assistance to union members complaining about breaches of union rules in a wider variety of circumstances.

All secondary school pupils will become eligible to participate in work experience schemes from the start of the summer term in their penultimate year of compulsory schooling. At the moment, there are two dates of eligibility.

Oakwood goes into receivership

By Alice Rawsthorn

THE OAKWOOD Group, which employs 2,000 people, mainly in the north of England and the Midlands, has become the latest victim of the textile industry recession by going into receivership.

Oakwood's problems are concentrated in the knitwear and clothing companies it took over in its controversial acquisition of CoxMoore little more than a year ago.

Last month Oakwood announced a pre-tax loss of £5.5m for the first half of this year. It also appointed Ernst & Young, the auditor, to investigate its financial affairs.

Mr Stephen Taylor, a partner of Deloitte Haskins & Sells, which was called in as receiver, said Oakwood had been struggling against heavy debts in a weak market.

Government to press on with student loan scheme

By John Mason

THE GOVERNMENT intends to implement its proposed student loan scheme by September 1990 in spite of the decision by the major banks to withdraw from it, Mr John MacGregor, Education Secretary, said yesterday.

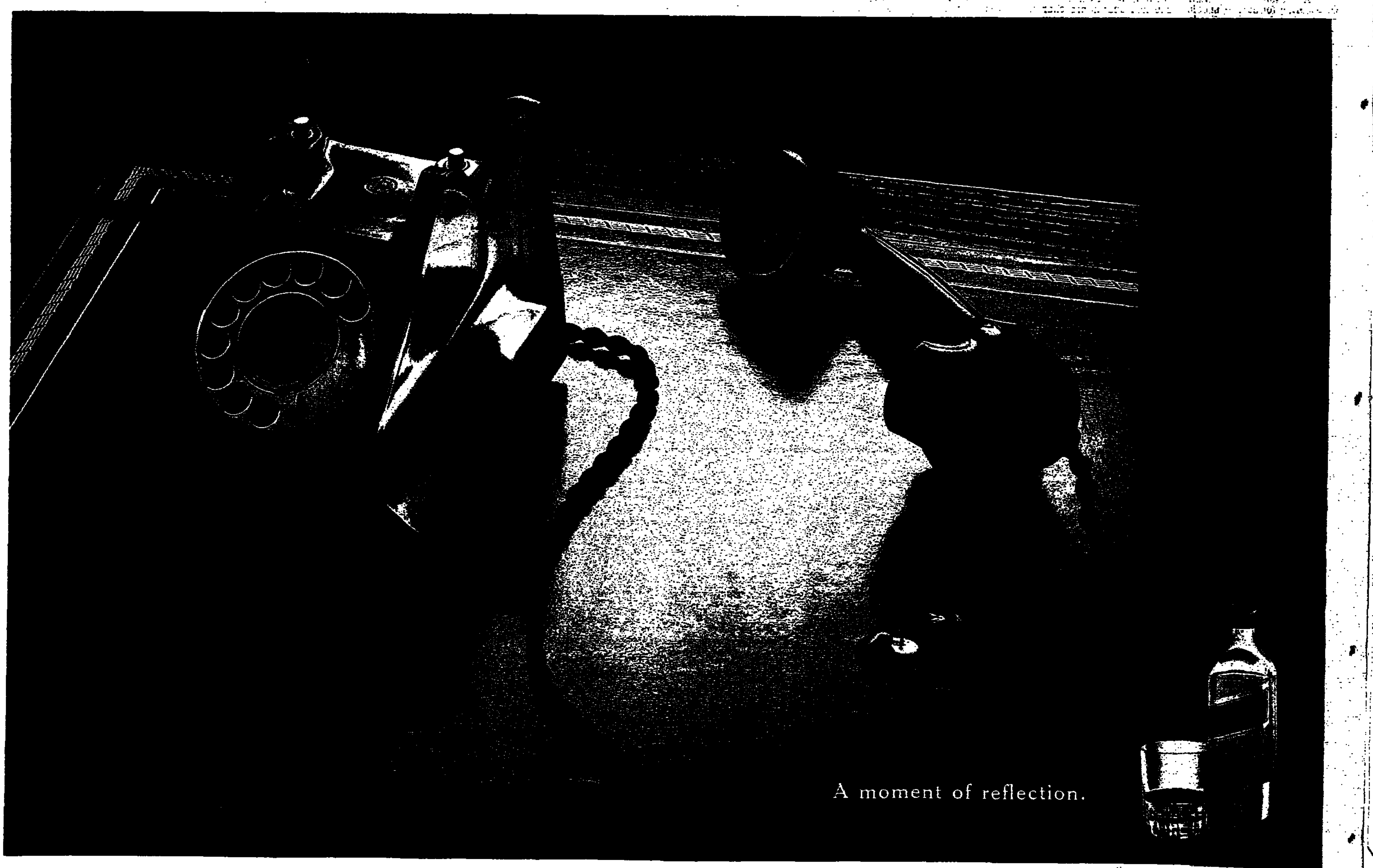
He said in a parliamentary statement - after Midland, National Westminster, Barclays, TSB and Royal Bank of Scotland had joined Lloyds in refusing to participate in the scheme - that their decision was regrettable but did not affect Government policy or the principle and framework of the legislation behind the scheme.

Mr Jack Straw, Labour opposition education spokesman, said the scheme should be dropped as the withdrawal of the banks, which had been central to it, had "torpedoed" it.

Mr MacGregor said the main effect of the withdrawal would be to reduce students' access to loans, as they could no longer use branches on campus. The scheme would probably now have to operate through the post, he said.

The proposed Students Loans Company would now be government-owned and the scheme could be cheaper to run as there would no longer be administrative fees to be paid to the banks. He said it was not unreasonable for students to contribute to their costs when it was likely they would benefit financially from their courses.

Ministers keen to keep student loans alive, Page 7



UK NEWS

CEGB profits cut heavily by cost of nuclear power

By Maurice Samuelson and David Fishlock

RISING estimates of the long-term cost of nuclear power wiped out two thirds of the anticipated profits of the Central Electricity Generating Board in the final year before its break-up and sale to the private sector.

The revised estimates, disclosed in its annual accounts yesterday, cover the cost of nuclear fuel and of decommissioning old stations. They show that each of the CEGB's seven Magnox stations will cost about £600m to decommission – roughly double last year's estimate.

Those increased decommissioning costs were the biggest factor in persuading the Government last September to withdraw the Magnox reactors from its electricity privatisation plans.

They also show clearly why the Government decided to keep nuclear power in the public sector in spite of a strong desire to privatise it with the rest of the industry.

Together with higher reprocessing costs for spent Magnox fuel, the Government would need to have provided an extra £6.7bn "risk premium" to safeguard shareholders after privatisation, had the stations been included in the flotation.

Trading profits, at £353m for the year, were £603m below target. Return on average net assets was 1.8 per cent, compared with the 3.75 per cent target the Government set.

If the privatisation stays on course, this will be the CEGB's last balance sheet. It will be a basis for the opening balance-sheets of its four successor companies – the two generator companies (National Power and PowerGen), the National Grid, and the state-owned Nuclear Electric Company.

In a re-estimate of the cost of replacing power stations, the CEGB has cut the net value of its assets by £2.4bn to £26.3bn.

Lord Marshall, who signed the CEGB accounts a few days before resigning as chairman, said the lower rate of return was "especially disappointing" in view of the £62m saved by higher than expected nuclear output and record efficiency at coal-fired power stations.

The liabilities for nuclear power cover the expected cost of decommissioning nuclear power stations over at least 100 years and the cost of British Nuclear Fuel's services for reprocessing spent nuclear fuel and storing and disposing of nuclear waste.

Firm prices submitted by BNFL, which replace earlier cost-plus estimates, show a doubling in estimates for completion of the Magnox reprocessing, from £3.1bn in March 1988, to £6.4bn. Some £576m of that was charged to the latest profit and loss account.

Provisions for decommissioning have been increased to £1.635bn compared with £513m a year earlier. Of that, £127m has been charged to the profit and loss account for the year.

Higher nuclear fuel costs – mainly reprocessing and associated decommissioning and waste treatment – added £176m, compared with an extra £37m allowed for decommissioning reactors.

The fall in CEGB profit also resulted in lower than expected profits for the entire power industry, shown by yesterday's final report of the Electricity Council, the umbrella body.

Those showed operating profits of £777m, down £135m on the previous year, and a 2.44 per cent net return on assets against the agreed 3.75 per cent target.

Mr Frank Dobson, Labour's energy spokesman, said the CEGB accounts had been "massaged and adjusted" to suit the Government's privatisation policies. Referring to the revised estimate to cover decommissioning and nuclear waste, he said: "It can't have been right last year if it's right this year; its still probably an underestimate."

Ministers keen to keep student loans alive

Jimmy Burns on the reluctance of banks to become Government debt collectors

Student campaigns: instrumental in deterring the banks

THE damage limitation exercise after the clearing banks' withdrawal from the Government's student loans scheme continued yesterday. Mr John MacGregor, Education Secretary, assured the Commons that the scheme was certainly not finished, though the Opposition apparently believes that the banks' decision is a serious blow to the Government's higher education policy.

Announcing the scheme last November, Mr Kenneth Baker, then Education Secretary, said the Government's plans to offer all full-time undergraduates loans worth £1,150 over three years would give them "a financial stake in their own future and encourage greater economic awareness and self-reliance."

But Mr Robert Jackson, the junior education minister who devised the scheme, saw it as the first step towards a US-style market-driven system for funding higher education which would eventually require students to contribute to tuition costs.

In a sense, private sector involvement in the scheme was little more than a façade – banks were not going to lend their own money or assess credit risk. They were to act simply as debt collectors for central government.

Their participation was seen by the Government as important in increasing students' economic awareness and self-reliance and easing their access to loans through the banks' national branch networks.

The Government says it will devise an alternative which will maintain both the ethos and the objectives of student loans.

At present, 22 per cent of students in the UK are drawn from the most affluent 7 per cent of the population – only 5 per cent are drawn from the bottom 23 per cent.

The Government argues that the more students take out in loans, the less taxpayers' money will go in subsidising the children of the rich, and that this will release money for the education budget to help wider access in other ways. However, a poll published by the National Union of Students earlier this month suggested that, under a loans system, 24 per cent of pupils with parents who were semi-skilled would drop their plans to go into higher education.

The poll also found that 74 per cent of students felt the present grant system was more acceptable than the proposed loans scheme.

While unwilling or unable to go into details, the Government appears to be planning to encourage students to post loan applications direct to the Students Loan Company, the Glasgow-based body set up by the Government to collect applications for the loans.

There appears no chance that the Government will countenance one of the most widely aired alternatives – the use of the National Insurance system to collect a small user charge from each employer of new graduates.

Mr Nicholas Barr, a senior lecturer at the London School of Economics, who devised the scheme, says this would reduce the Treasury cost of the loan scheme to zero within three or four years.

The savings could widen the access of lower-income groups to higher education, a process which could be encouraged by relating loan repayments to income.

Arguably Mr MacGregor's refusal to evaluate such an option suggests that he is more concerned to improve students' financial management than to widen access to higher education.

There is also the broader reluctance of the Government to contemplate a scheme that might undermine its declared aim of simplifying the taxation system.

The National Union of Students, whose campaign deterred the banks from pushing ahead by threatening them with the loss of student customers, has yet to formulate a precise response to Mr Barr's scheme but it was adamant yesterday that it would continue to oppose the Government's attempt to pursue the loans system.

The NUS believes the Government is on weak ground in insisting that a centrally administered scheme will be cheaper, whereas it had previously argued that administering it through the banks was the least costly alternative.

Nevertheless the NUS said it would wait until the New Year before deciding its campaign strategy.

Such caution is understandable given the Government's apparent procrastination, and the student leaders may realise that forcing the Government to drop the scheme is a tougher proposition that convincing the banks to withdraw from it.

The banks' decision come after the NUS campaign which threatened a student boycott and the restriction of the banks' access to student fairs where first-year students can be recruited.

The clearing banks have traditionally put considerable effort into recruiting students as customers – research has shown that as many as 90 per cent of students do not change banks when they are earning high salaries.

The NUS is likely to shift the emphasis of its campaign towards Parliament, hoping to widen the differences on the issue between the Department of Education and some Tory backbenchers.

The banks have always assumed that the scheme could become a marketing advantage, but such longer-term considerations are likely to be overshadowed for some time yet by the unresolved political battle.

Scottish power boards report heavy losses

By James Buxton, Scottish Correspondent

THE South of Scotland Electricity Board and the North of Scotland Hydro-Electric Board yesterday reported heavy losses for the year to March 1989. They now have negative reserves.

The losses are a result of having to set aside £941m for nuclear-related costs, some passed on by British Nuclear Fuels (BNFL) but also those arising out of the early closure of the Hunterston A magnox power station on the Firth of Clyde.

Even before these items, both boards reported a sharp drop in operating profits. The SSEB's profit fell to £1.4m from £12.6m and that of the NSHEB to £584,000 from £15.7m.

The £941m – of which the SSEB is bearing £696m and the NSHEB £245m under their cost-sharing formula – should end the boards' nuclear liabilities. The Government is keeping the SSEB's nuclear stations in the public sector as Scottish Nuclear when the electricity industry is privatised.

The two boards are providing £229m for BNFL's increased reprocessing costs, £122m for BNFL's revised estimates for decommissioning its own facilities and £171m because of revised official estimates for decommissioning the Hunterston A and Hunterston B advanced gas cooled plants.

An extra £161m is being allowed for revised treatment of waste from the two Hunterston plants, almost all for Hunterston A.

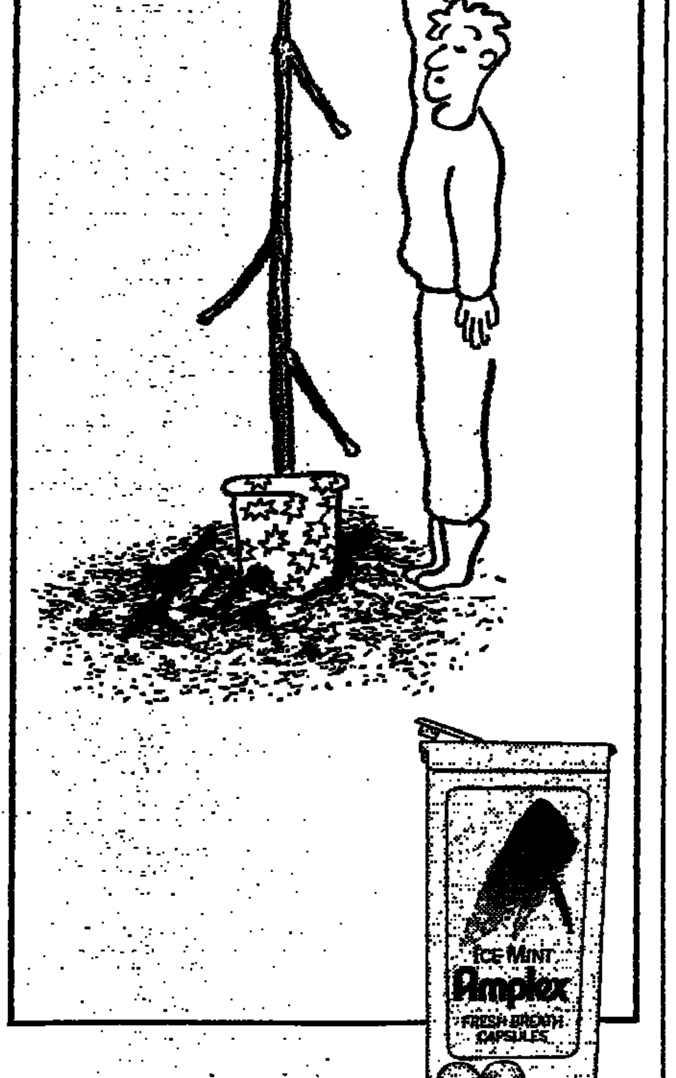
A further £60m arises from harmonising the SSEB's nuclear accounting practices with those of the CEGB and BNFL. Some £9m is going to the superannuation fund.

Finally, £181m is being provided because of the early closure of Hunterston A by March 1990, with the contributions to decommissioning that would have been made over the four years to the original closure date of March 1994 being paid at once.

The provisions are roughly comparable to those made by the Central Electricity Generating Board in England and Wales, but the CEGB is taking the provisions out of reserves since it uses current cost accounting rules, while the Scottish boards are charging provisions to profit and loss accounts since they use historic cost accounting rules.

The SSEB had a turnover of £975.7m, up 6 per cent on 1987-88. Profit before interest was £304.2m (£302.9m) but interest charges of £302.7m reduced this to £1.4m (£12.7m) before the exceptional charges. The overall loss was £694m. Reserves, previously £147m, are now negative to the tune of £546m.

NSHEB turnover was £348.2m (£332m). Profit before interest was £55.3m (£72.2m), reduced by interest charges of £54.7m (£56.7m) to £548,000 (£15.7m).


DON'T GET A COMPLEX,

NEWS IN BRIEF

Post Office shows sharp profits rise

THE POST OFFICE made a pre-tax profit of £58m in the six months from April to September this year compared with only £4m in the same period in 1988.

The increase is explained partly by a 6 per cent growth in mail volumes, but the 1988 figures were depressed by the effects of a national postal strike and a staff pay deal.

Turnover rose by 15 per cent to £2.04bn from £1.8bn. The profits were calculated on a current cost basis taking inflation into account. They exclude figures for Girobank, the banking arm shortly to be sold to the Alliance & Leicester Building Society.

Girobank's figures, published separately, show pre-tax profits of £14m on a turnover of £199m for the first six months compared with £13m on £187m.

Economy slows

THE PACE of economic activity continues to slow under the pressure of high UK interest rates, according to cyclical indicators published yesterday by the Central Statistical Office.

The longer leading index, which is intended to highlight turning points in economic activity a full year ahead, recorded another fall in October. The shorter leading index, which looks six months ahead, also fell.

The CSO said that this reflected lower levels of new consumer credit in October.

Firms agree name

THE merged UK practice of Coopers & Lybrand and Deloitte Haskins & Sells, accountancy firms, will be know as Coopers & Lybrand Deloitte, it was announced yesterday.

Judge orders Eagle Trust share inquiry

By Raymond Hughes, Law Courts Correspondent

A High Court judge yesterday ordered an inquiry into damage suffered by the holders of more than 2m Eagle Trust shares frozen by the court two weeks before the company's annual meeting earlier this month.

Mr Justice Harman ordered the inquiry because of "very serious omissions" from the evidence of Mr Peter Churchill, an Eagle Trust director, when the company applied for the order on November 30.

The judge also granted the affected shareholders their costs of going to court on December 12 to get the order discharged, and of yesterday's hearing, on an indemnity basis – a much more stringent costs order than is normally made – and ordered Eagle Trust to pay the costs "forthwith."

The shareholders were the Jersey-based Ryco Trust, Ryco Trust (International) and RIM Nominees, and three Ryco clients: Newhill, List Enterprises and District Finance.

The freezing order was made when Eagle Trust complained to the court that the six shareholders and others had failed to respond to notices served under section 212 of the 1985 Companies Act seeking information about the ownership of the shares in their names.

Yesterday Mr Jonathan Crystal, counsel for the shareholders, said that although the shares had been reinstated on December 12, Mr Rodger Young, chairman of Ryco, had been unable to reach Eagle Trust's annual meeting in Birmingham in time to vote.

Mr Nicholas Stadden, counsel for Eagle Trust, admitted that Mr Churchill's evidence had not mentioned correspondence and meetings between the company and the shareholders after the service of the notices on them.

He said the omission had been an oversight on the part of the assistant solicitor who prepared Mr Churchill's affidavit "and not any other cause."

Mr Justice Harman said the freezing order had "disenfranchised and otherwise disabled" the exercise of any rights in the shares.

Orders of that sort, he said, had serious consequences.

The judge said his order had been based on extensive evidence from which it was now clear that matters which might well have affected his decision to grant the order had been omitted.

He accepted that the omission had not been deliberate but had resulted from oversight and carelessness.

He said the shareholders were entitled to a inquiry into what, if any, damage they had suffered.

Government approval for BP assets sale

By Maurice Samuelson

THE GOVERNMENT yesterday approved British Petroleum's $1.3bn (£813m) sale of North Sea assets which it had acquired during last year's takeover of Britoil, the former state-owned oil company privatised in 1982.

Mr Peter Morrison, Energy Minister, said he regarded Oryx Energy, the US oil company which has agreed to buy the assets, as a suitable licensee and purchaser.

Yesterday's decision coincided with a parliamentary report into whether the sale and job reductions in Scotland breached the assurances BP gave when Ministers permitted its takeover of Britoil by not exercising the veto power of their "golden share."

The report found that the Energy Department should be able to ensure that the promised drilling levels on North Sea assets sold to Oryx would be maintained.

Security testers will pose as terrorists at airports

By Paul Betts and Alison Smith

GOVERNMENT security inspectors are to pose as terrorists to test security at UK airports.

On the anniversary of the Lockerbie air disaster, the Government yesterday accepted a recommendation from the cross-party Commons Transport Committee for spot checks by inspectors posing as terrorists at UK airports.

It said that the Department of Transport was recruiting additional inspectors who will be briefed to devise, plan and supervise spot checks.

Government officials said that other safety recommendations by the committee were covered in the Aviation and Marine Security bill now before Parliament.

However, Mr John Prescott, shadow Transport Secretary, criticised the Government's response to the committee's recommendations.

He said: "A year after Lockerbie, the department seems as complacent as ever about its security responsibilities."

Mr Prescott said that while lip service was paid to the need to screen all transfer baggage and all hold luggage, there was no indication of how or when this would be achieved. "The major obstacle to achieving that goal is money," he commented.

He added that Labour would table amendments to the Aviation and Marine Security Bill to establish a fund to pay for security improvements.

It also wanted to ensure that all those involved in security were "subject to greater public scrutiny and accountability."

Sheffield still planning to hold student sports event

By Richard Donkin

SHEFFIELD City Council said last night that it was confident the city's plan to host the World Student Games in 1991 would succeed, in spite of financial difficulties and the dismissal this week of a senior organising executive.

Mr Peter Burns was dismissed as the chief executive of Universiade GB, the company set up to run the event, because of an "irretrievable breakdown" between the board and himself, according to the company. Mr Burns, a former Reed International executive, was appointed in March 1988.

Mr Norman Adsetts, a Sheffield businessman and chairman of the regional council of the CBI, has been appointed to supervise the company's day to day running.

Mr Peter Price, chairman of Universiade GB and deputy leader of the Labour-controlled council, said yesterday that the group had run into short-term cash flow problems alleviated only after talks with creditors. The difficulty was partly because a £3m Sports Council grant was paid in instalments instead of as a lump sum.

The company expects to raise much of the £30m it needs from sponsorship, but so far only £500,000 has been committed by sponsors. Bigger deals may come once contracts for TV coverage are signed.

Sheffield City Council has committed £120m through the Sheffield Leisure and Recreation Trust to build six new sports centres and stadiums in time for the games that should attract 6,000 competitors from 120 countries.

Airports appeal

BRISTOL and Birmingham airport officials who detained two aircraft to recover £1.6m in unpaid fuel and landing fees from Paramount Airways yesterday lost their Court of Appeal claim for a £350,000 guarantee from the airline.

The aircraft were released after the airports failed in their High Court application to continue their detention under the Civil Aviation Act 1982.

A condition of release was that Paramount's administrator should provide a £350,000 guarantee pending an appeal by the airports.

Businesses prepare for painful rates

Richard Evans on effects of the commercial property revaluation

RETAILERS in the south and small businesses throughout England and Wales were steeling themselves yesterday for bad news when they learn the full details of their first commercial property rating revaluation for 16 years.

A widespread reaction to the latest details on the uniform business rate (UBR), published by the Government, was one of hostility and anxiety about the impact it will have on profits and jobs.

Nearly one in three business premises in England and Wales are due to pay rate increases of more than 50 per cent over the next few years after the UBR comes into effect on April 1, with at least 250,000 paying more than double the current amount.

The sharp increases – compensated by some falls in the Midlands and north of England – arise because of the introduction of the UBR in place of the non-domestic rating system, coupled with a simultaneous revaluation of every industrial and commercial property in the country.

Rateable values will rise eightfold in England, largely because of the lapse since the last revaluation in 1973.

Property values, particularly of commercial property in London and the south-east, have got out of line with current rating levels and this needs to be corrected.

CHANGES IN BUSINESS RATE BILLS

English regions	Pre-reform rate bill £m	Overall change %	Net change on UBR £m
W. Midlands	880	−28	−50
North-West	1,090	−28	−210
Northern	490	−30	−110
Yorks. & Humberside	790	−21	−180
East Midlands	600	−15	−60
East Anglia	280	+10	–
South-West	600	+9	−30
Inner London	1,640	+37	+640
Outer London	880	+4	+40
Rest of South-East	1,750	+15	−10

The process promises to be painful for many businesses, but they will not know the full scale until new revaluation tables are studied at local council offices early in the new year. An alternative is to buy lists from the Inland Revenue.

It will be particularly important for businesses which may want to relocate to pay close attention to their revaluations, as phased relief will be given only to existing occupiers and not to those moving after April 1. They will be levied for the full amount of the UBR immediately.

What is already certain is that the heaviest increases will be borne by shops and offices in the high streets of London and the south-east, and the main beneficiaries will be out-of-town warehouses and factories in the north.

Business premises in inner London, for example, will see their combined rate burden rise by 37 per cent after the new tax is phased in fully – a total additional bill of £610m a year.

Rates on shops in inner London will rise in aggregate by 72 per cent. That will amount to a total rise of £190m.

The National Federation of Self Employed commented: "We are horrified at the prospect of rates rising by eight times. It is really bad news for those on prime sites and for small businesses."

The federation forecasts that retailers in the north – one of the areas expected to benefit most from the reform – will find they are hit much harder than expected when the full facts become known.

The Confederation of British Industry, in general representing larger companies, was equally worried. Mr John Banham, CBI director general, said that even though the poundage of 34.8p meant that rates would be £265m lower than under the expected 36p poundage, the existing subsidy of £2bn that will be paid by business to community charge payers remained.

"Sadly, so does the inflationary risk in the new arrangements which will produce no significant benefits to any business, while some 500,000 businesses, mostly retailers, will face increases of 25 per cent or more for the next two years at least," he added.

The total number of business properties in the new valuation list is more than 1.6m. Of these, 928,000 will lose under the UBR, 590,000 will gain and 108,000 will see little change. About 230,000 properties will face increases of between 50 and 100 per cent, and a further 240,000 will face rises of more than 100 per cent.

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THE PROPERTY MARKET

The year's slate of winners, losers, deals, farces and stylish entries

By Paul Cheeseright

THE flickering kaleidoscope of the property industry has thrown up in 1989 a more than usual portion of rich and diverse colours. Not surprisingly perhaps, given the changing mood as returns have started to slip and interest rates have climbed. Just as the industry's good cheer came out of London in the first place, so London's expressions of gloom have percolated to the regions.

Here, then, are some idiosyncratic nominations for a series of fictitious 1989 awards.

Winners: Arlington Securities, Imry Merchant Developers and Randsworth Trust for arranging their own takeovers at prices that looked better the longer the year went on. In the spring, four months before the takeovers, in terms of market capitalisation, Imry was the 20th largest property company, Randsworth the 26th and Arlington 27th. Insert the prices at which they were taken out into a December market capitalisation list and Imry would be 10th, Arlington 15th and Randsworth 26th.

It is a measure of the stock market's sluggishness. And there are few now who would predict any takeovers at above net asset value for investment-oriented companies like Imry and Randsworth.

As an aside on this topic, it is worth sparing a thought for holders of Hammerson "A" shares. The Rodamco offer in January was worth 970p a share. After it disappeared the shares went down to 720p and lately have been around 825p.

Losers: First, Mr Simon Fussell, once chairman of Priest Marians and once holder of 24.8 per cent of the equity. Other members of the board found his management style erratic, his sense of gearing too bold. They booted him out, heaved a sigh of relief when his much-touted parcel of shares found its way into the hands of JMB Realty, passed the dividend and got on with sorting out the debt.

Second, Mr Tony Clegg, the in-out-in main shareholder of Mountleigh, who sold out his shares for 200p each, a 53p discount to their asset value, leaving the company under the effective control of Mr Nelson Peltz and Mr Peter May, better known on Wall Street than in the City of London. Illness and financial pressures forced Mr Clegg out without the mega-millions associated with tycoons. The City did not like the manner of his going and his employees felt left out on a limb.

The deal: Paternoster Square, the 1960s architectural *bête noire* of Prince Charles, not from the point of Greycoat and Park Tower Realty, the buyers – how well they will do remains to be seen – but from the point of view of the last seller but one.

Organizacion Diego Cisneros of Venezuela agreed to pay Mountleigh probably around £230m in autumn 1987 but never completed the deal and owed Mountleigh £150.5m plus interest. It took over six months for a buyer to emerge with a deal which would allow ODC to clear its debt. The problem was ODC had probably paid too much in the first place. When it sorted that out Mountleigh had an agreeable cash infusion of £160.3m.

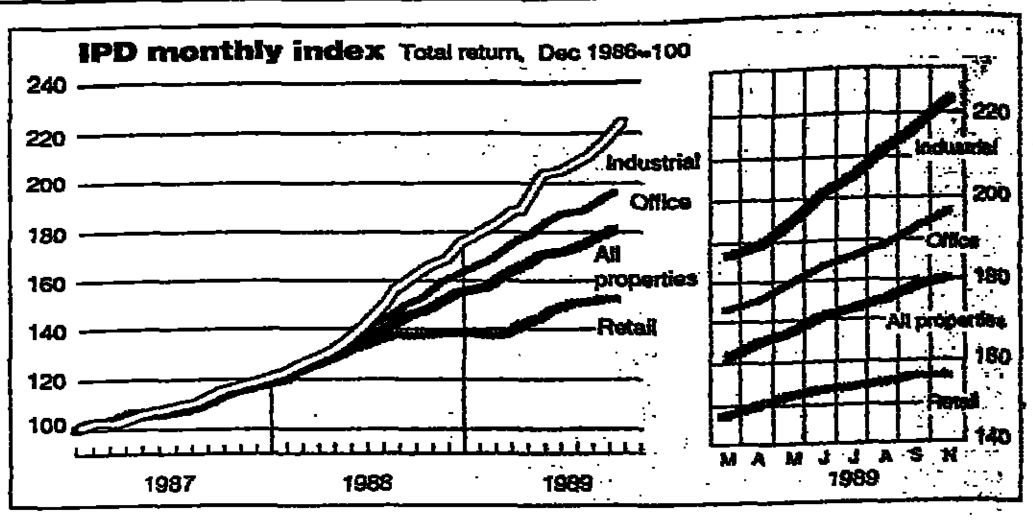
The rows: First, the Rose Theatre, on the south side of the Thames, a prime Shakespearian relic dug up by Imry Merchant Developers as they started work on a new office complex. Actors and actresses, politicians and academics, archaeologists and developers – all were swirling around thinking and shouting of different ways to meet the same end. This was to preserve and display the ruins. Which will be done. Imry and Postel, the pension fund financing the development, pay the bill.

Second, for the comfort of hearing the familiar, Number One Poultry, right in the heart of the City of London. Mr Peter Palumbo's attempt to have a modern office complex in the middle of a conservation area at the price of some Victorian buildings, produced passionate but wholly predictable environmental and architectural arguments. The Government said "Yes" to the new offices but there is last ditch battle in the High Court, mounted by Save Britain's Heritage.

The farce: All that confusion in the middle of the year over who was doing what to whom over Parc Securities' site at Battersea Wharf. This is adjacent to the power station site on south side of the Thames where Alton is deep in problems over developing a massive theme park. On the same day, Parc was saying the site had not been sold to Alton. One Alton principal was saying it had been and another was saying it was under negotiation. The owner still: none other than Parc Securities.

Best entrance: JMB Realty of Chicago. After standing in the wings for two years it swooped for Randsworth Trust and then for a stake in Priest Marians. But it was the *élan* of the action rather than the action itself that attracted the attention. Around the action were scattered the hopes that it would presage a movement of US funds into the British market, accompanying those of the Japanese and Scandinavians.

Best exit: The British Coal pension funds with a decision to sell its $1bn portfolio of US property. The portfolio contained one of the most famous – or notorious – buildings in the US: the Watergate, scene of the burglary in Washington DC, that set off the chain of events leading to the downfall of President Richard Nixon. The British Coal had had enough of US property but there were plenty of British institutions who felt the same way at home and were only too happy to sell into a market primed by foreign capital.



Growth in returns slows

GROWTH in returns from property investment continued to slow sharply last month. The Investment Databank reports that in November returns grew by 0.4 per cent, 0.5 per cent less than in October which was the lowest figure for the year.

Rental value growth was strong. It increased 1.7 per cent in November. There was no capital growth. As a result, yields lengthened. In the year to November total returns on all properties were 19 per cent against 31.7 per cent at the same time last year.

The weakest sector was retail property which recorded its worst performances of the year in both capital growth and total return, both of which were negative for the first time in 1989. Capital growth was -0.8 per cent and the overall return -0.4 per cent. Rental value growth for the sector was 1.1 per cent revealing lengthening yields.

The trend was similar in the office property sector where the capital growth and total return measures were the lowest of the year for the second month in a row while rental value growth was the strongest of the year.

The only sector where the picture was brighter was again industrial property which has outperformed the other sectors for most of the year. Returns, 1.1 per cent for capital growth and 1.6 per cent for total returns, were low compared with earlier in the year but still an improvement on October. There was strong rental growth: 2.1 per cent – the same as last November.

There was overall disinvestment in the year to November 1989, more than half of which was accountable in the last quarter. In the year to November 1988 there was a small net investment. The IPD report concludes that "there is an increasing trend of disinvestment in the property market."

Peter Berlin

This announcement appears as a matter of record only.

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COMPANY NOTICES

OMRON TATEISI ELECTRONICS CO.
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Notice is hereby given to the Bondholders that effective as at 1st January, 1990, OMRON TATEISI ELECTRONICS CO. changes its corporate name to OMRON CORPORATION.

Neither the Bonds, nor the Bonds with Warrants, nor the Convertible Bonds will be stamped nor exchanged and they will remain listed on the Luxembourg Stock Exchange under OMRON TATEISI ELECTRONICS CO. followed by the new name of the Company, OMRON CORPORATION.

All further notice regarding the issue shall refer to both names.

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22nd December, 1989

INVITATION

The Board of Directors of TUNGSRAM Co. Ltd. (1340 Budapest, IV., Váci út 77. Hungary) hereby notifies that the Company shall hold its

Extraordinary General Meeting

on the 26th January, 1990, at 2 p.m. in the Board Room (No. 111) of the Company at the above address.

The agenda of the Extraordinary General Meeting shall be as follows:

1. Appointment of the members of the Board of Directors
2. Appointment of the members of the Supervisory Board
3. Amendments to the Articles of Association/listing of the domestic plants and other domestic premises of the company; modifying the signing authorization of the employees and directors on behalf and for the company; conversion of bearer shares to registered shares; amendment of the list of such resolutions of the shareholders which need qualified majority; modification of the conditions when the shareholder's meeting has a quorum; modifying the list of issues which the shareholder's meeting has the exclusive right to decide; modification of the duration of the mandate of the Board of Directors and the Supervisory Board; modification of the Board's decision making mechanism; to modify the dividend and reserve fund policy of the Company; re-structuring of the Board and Executive and Supervising Committee
4. Amendments to the rules concerning the statutes of the Board of Directors
5. Modification of the resolutions of the previous shareholder's meetings.

According to paragraph 13 of the Articles of Association only those shareholders are entitled to vote at the extraordinary general meeting whose shares have been deposited at the latest three days before the meeting with the Central Corporation of Banking Companies (1093 Budapest, IX. Szamuely u. 38., Hungary) or with an Austrian or a Swiss Bank and who have received a certificate of deposit.

According to paragraph 13 of the Articles of Association the shareholders may exercise their right of voting personally or by their authorized representatives and corporations and companies may be represented by their legal representatives.

The certificates of deposit and authorizations have to be presented by shareholders or their representatives duly completed on 26th January, 1990, before 1 p.m. in room No. 107 at the above address of the Company (1340 Budapest, IV. Váci út 77. Hungary) where the members of the general meeting will receive the certification entitling them to vote.

Company Secretary

19th of December, 1989

RIGGS NATIONAL CORPORATION
USD 60,000,000
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In accordance with the provisions of the notes notice is hereby given that for the period 20 December 1989 to 20 March 1990 the notes will carry a rate of interest of 8⅞ pct per annum with a coupon amount of USD 221.87.
CHEMICAL BANK
AS AGENT

RIGGS NATIONAL CORPORATION
USD 100,000,000
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LEGAL NOTICES

No. 007344 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF HEYWOOD WILLIAMS AUTOMOTIVE LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

Notice is Hereby Given that the Order of the High Court of Justice (Chancery Division) dated 11th December 1989 confirming the cancellation of the amount of £[illegible] standing to the credit of the Share Premium Account of the above named Company was registered by the Registrar of Companies on 19th December 1989.

Dated this 22nd day of December 1989.

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA
Ref: AMH
Solicitors for the above named Company

MANAGEMENT

Orchestra management

An Enlightened way to make classical music

Andrew Hill on an unusual approach to conducting a 'business'

You're manager of a small business. The group is using equipment which is hundreds of years out of date, and employees insist on working for your competitors as well.

This is the sort of group Felix Warnock manages. But it is not a management nightmare; his "employees" – members of the Orchestra of the Age of Enlightenment – want to work this way.

Founded only three years ago, OAE performs baroque and classical music on instruments of the period (hence its title). To the layman's eye, period instruments are not that different from conventional orchestral instruments, but aficionados claim the sound produced is more authentic – closer to what Mozart, Haydn and Bach intended.

Such orchestras have enjoyed a revival in the last ten to 15 years, with conductors interested in Early Music building up five or six groups (Roger Norrington's London Classical Players, for example, or Christopher Hogwood's Academy of Ancient Music). Unlike established modern orchestras which field the same team for each concert, period-instrument groups tap a pool of 100 or so players, most of whom perform for at least one other orchestra.

But OAE differs from competing Early Music groups in one important respect: it's driving force is not a single conductor but the players themselves. The group's founders formed OAE because they felt period-instrument players lacked the opportunity to play under different guest conductors, such as international Early Music specialists, and well-known conductors of modern orchestras like Simon Rattle and Sir Charles Mackerras.

"The primary motive for setting up the orchestra was that the players wanted to liberate themselves from those rather static conditions," says Felix Warnock, who became OAE's manager a year ago.

There are rarely more than about 40 players performing in each concert and OAE has a core of some 20 to 25, but as Warnock points out: "They are all self-employed, rather independent, freelance players – one of the problems is how to get such a group of people to a unanimous decision."

Orchestra of the Age of Enlightenment: aiming for an authentic sound

As a bassoonist and founder member of the orchestra, Warnock appreciates the delicacy of player-manager relations: "It's very common for orchestra managers to treat their players like troublesome children. That's mainly because they've been behaving like troublesome children, but you don't necessarily have to treat such children in a heavy-handed way."

With too many orchestras competing for too few players in this area, he also realises that encouraging loyalty should be one of his priorities. But because of OAE's co-operative nature there can be no "golden handcuffs", locking players into the business.

"We're talking about the kind of people who don't like to be tied," says Warnock. "I am very careful to avoid any sorts of demands on loyalty. I think it's my job to provide them with the kind of work and working conditions which they want to have."

This means, says Timothy Mason, a cellist, a founder member and chairman of the orchestra, that OAE players feel directly responsible for its success: "I think we all feel that it's our orchestra and so we are all trying to make it work."

But OAE's rapid rise to prominence – "extravagantly successful" was how the FT described its last 1989 performance two weeks ago – has put pressure on the management structure first agreed in 1986.

At the moment it consists of a board of directors – five non-playing and four playing members, all elected – and a small sub-committee devoted to the financial management of the orchestra. Separately, there are annual elections, sometimes hotly contested among the players, for places on an artistic direction committee, responsible for the group's musical policy.

"It's understood by everybody that the artistic decisions really drive the orchestra," says Warnock.

Casting an interested eye over the whole structure – and helping to open doors for OAE – are four trustees: Sir John Tooley, former general director of the Royal Opera House, Lady Warnock – Felix's mother – and representatives of two of the main sponsors, Peter Goldie, chief executive of British & Commonwealth Holdings, the financial services group, and Victor Blank, chairman of Charterhouse, the merchant bank.

"We tried to set up a structure which would survive whether the orchestra remained terribly small or became busier and more successful," says Warnock.

However, in the last 12 months he has realised he must do more than juggle the twin preoccupations of player resources and financial resources from day to day. He has just produced the orchestra's first business plan, with the aim of providing a basis for management decisions and a model against which to measure progress over the next three to five years. Warnock describes it as "the first step in emerging from a hand-to-mouth existence".

"Nobody has ever really discussed what it is we are trying to do apart from put on very good concerts: this is the first attempt to define it," he adds.

OAE cannot be accused of lacking ambition. The group's primary objective, according to the plan, is to be recognised as "the leading orchestra of its type in the world" by 1992. How will OAE decide when it has achieved its goal?

"One of the tests is whether the people we want to work with are keen to work with us; one also measures success by invitations from large-scale promoters, record companies and festivals," says Warnock. "That said, some of our members were horrified at the idea that we wanted to be the best in the world.

"That's because some of them are really not used to thinking in such openly competitive terms. One of the tasks that we have, managing a group of this kind, is to bring some commercial realities into the world that the orchestral players inhabit."

The ambition requires money. Like most arts administrators, Warnock says financial matters take up 90 per cent of his time. So far the group has been lucky with its principal sponsors: Bankers Trust Company provided early funding, following a chance meeting in 1985 between one of the US bank's sponsorship advisers and some of the players who went on to found OAE. B&C and Charterhouse have since added their names to a small list of corporate sponsors.

The group's innovative management approach could prove attractive for new backers. According to Victor Blank of Charterhouse – principal sponsor for the 1990-91 season – it was an important factor in the bank's decision to underwrite OAE's recent development.

"We were rather intrigued by the fact that the orchestra was managed by the musicians themselves. That seemed to tie in with the fact that a lot of our business was in development capital, supporting entrepreneurial skills, developing companies and managers who were encouraging excellence," says Blank.

As it grows, OAE is also hoping to explore alternative self-governing management structures – perhaps splitting orchestra administration (the minutiae of rehearsal and performance scheduling for example) and the all-important quest for a wider sponsorship base.

So what are the main risks faced by the orchestra as it strives for financial and artistic success?

"There is always the possibility that we might be outflanked by yet another young, fresher new group which would catch the public imagination," warns Timothy Mason.

But Felix Warnock, already hardened by a year in management, is sure what the principal challenge is going to be: "There is no security of income, so the risk is that we are going to continue to be in financial problems for some time to come. No matter how many concerts we do in London, we always need to find someone to pay for them."

Company locations

Why conventional theory may need to be stood on its head

By Hazel Duffy

Conventional theory has companies locating close to their markets, or markets that they plan to penetrate. In Europe, that can mean subsidiaries in several countries. That way, the physical presence of the company fosters a local image as well as making markets more accessible.

1992 might stand this theory on its head. Operating out of several countries is expensive. It is the sort of extra cost which European Community-based companies may well find they must strip out if they are to compete globally.

The single European market, and harmonisation of taxes at some more distant point, is already causing companies to re-think their policy on location, Andrew Brown, partner in Ernst & Young's Brussels office, told a recent conference on the European regions, organised by the Centre for European Policy Studies.

He urged companies to look further ahead. Europe without trade barriers is one consideration. Europe where taxes are harmonised and frontiers mean less and less is another.

Companies are already regrouping geographically. He suggested groups of the UK, Denmark, and Ireland; West Germany, the Netherlands, Luxembourg, Belgium; Italy and Greece; France, Spain and Portugal.

But he anticipated the time when groups of regions across frontiers, rather than countries, would have particular attractions for companies. For instance, Lorraine, Luxembourg and the Saarland; Languedoc and Catalonia; Rhone-Alpes and Piedmont. These regional groupings will create a new wealth when frontiers are lowered.

Europe has long had the Benelux union as an example of economic co-operation across frontiers. But the possibilities that regions might have more potential working with neighbouring regions rather than within the national framework has not been exploited.

Other factors prompting companies to look again at location came up at the conference. Professor Norbert Vanhove, director general of the West Flanders regional development authority, and author of several books on regional policy, emphasised the costs to companies of operating in the congested bits of Europe, the conurbations around London, Paris, Milan, and the Ruhr.

The arguments favouring decentralisation, and an active regional policy pursued by countries and the European Commission, are clear, he felt.

But he also pointed to the advantages for companies working out of urban areas. Support services like banking and marketing are in place. The point when a company decides that the benefits are outweighed by the costs of congestion is not glaringly obvious.

Where there has been re-location on a considerable scale - in West Germany, for instance, to both Bavaria and, in particular, Baden-Wuttemberg in the south - new companies have tended to set up as well. In France, the movement has also been south, to Provence, the Mediterranean, and the Rhone. In the UK, Scotland and Wales, the north east, have got overseas investment, but there has been little movement of domestic companies out of the south, or of new companies setting up in these areas.

The coming of the Japanese to Europe has added a new urgency to the competition between regions. The stakes are high

The coming of the Japanese to Europe has added a new urgency to the competition between regions. The stakes are high. Spain and Portugal are worried that eastern Europe will emerge as a new competitor.

The Japanese might also make European companies think of relocating not just within their own country, but elsewhere in the Community.

At the same time, the regional shape of the Community is changing. Brussels will be pumping 60bn ECU into the regions between now and 1993. The money will be spent on infrastructure, training, encouragement of job creation by smaller firms. The majority will go to areas classified as under-developed - Greece, the Irish Republic, southern Italy and Spain, Portugal. But parts of regions like Catalonia, Pas de Calais and Yorkshire and Humberside, which have suffered industrial decline, will also benefit. The Commission has stipulated that Brussels money must be matched by funds from the national governments.

The programme presents opportunities for the private sector. Contracts for public works part funded by the Commission will be advertised.

Looked at from another perspective, companies could take the view that these regions, better equipped with good roads and telecommunications, and with a supply of trained workers, would be good places to locate.

Decisions on re-location have to be taken with the long term in mind. They should not be made on the basis of grants and tax incentives, although these can clearly influence the final choice by a company.

But the conference had a warning. The Commission is on the warpath to cut back subsidies and grants given by all governments to the corporate sector. Regional grants comprise only about 20 per cent of "State aids". Subsidies to entice companies to remoter regions will continue to be allowed by the Commission at least until there is some sign that the poorer regions are catching up with the wealthier regions. But it will get tougher to get grants in areas which are more marginal.

Companies should not be swayed by incentives. But nor should they be taken in by the hard-sell of the regions. Governments are keen that business should decentralise. But Brown's message to companies was to take into consideration hard economic data on the region. Spiced, perhaps, with a little bit of vision on the shape of Europe in the future.

TECHNOLOGY

Focusing electrons

SOME of the energy of high speed electrons is lost when they collide with atoms. This makes electronic circuits less efficient than they might be.

Atoms at room temperature are in a state of agitation, constantly moving and interrupting the path of electrons trying to get across a conductor – hence the search for ways of easing their path.

Electrons can be made to travel more easily by cooling the conductor. Atoms become less agitated, lessening the chance of the collisions that slow electrons. This is the basis of superconductivity.

Scientists investigating ways of reducing the energy loss of electrons passing through conductors have found that high speed electrons move relatively unhindered through a single crystal layer of gallium arsenide, a semi-conducting material, when it is cooled to minus 195 deg C.

The electrons travel uninterrupted in a straight line for a distance of two microns (millions of a metre) without energy loss. The free path movement enables the electrons to be focused and steered, something that could not be done over such distances under other circumstances.

IBM, the US computer company, has been studying the movement of these so-called ballistic electrons at its Thomas J Watson Research Centre, New York. Computer designers eventually might be able to use directed beams of electrons in the circuits of computer chips.

The more direct path travelled by ballistic electrons compared to other electrons was sufficient to allow them to be deflected by a small curved metal lens, fitted just above the path of the electrons.

The metal lens slowed the electrons and allowed them to be focused. The scientists applied a voltage across tiny metal gates as they injected electrons into the semiconductor and found they could steer the electrons about 60 degrees off their original path over a distance of two microns.

IBM says that the ability to steer and focus ballistic electrons will allow new types of electronic devices and circuits to be made using directed electron beams.

Lynton McLain

Clive Cookson reports on a forthcoming Nasa project to search for extra-terrestrial intelligence

Voices across the oceans of space

In October 1992, exactly 500 years after Christopher Columbus discovered America, the US is due to start the first systematic search for extra-terrestrial intelligence.

The search, known as SETI to its friends, will be carried out by National Aeronautics and Space Administration. Of course Nasa is not going to launch a spacecraft to scour the galaxy for signs of intelligent life; the project will combine the world's largest radiotelescopes with powerful signal processing computers, to detect any radio messages sent out by extra-terrestrial civilisations.

Nasa has spent several years carrying out preliminary research for SETI and is beginning to build equipment for the search to start on Columbus Day 1992. The project has a 10-year budget of $115m.

But the history of SETI goes back to 1960 when Frank Drake, the famous Cornell University astronomer, used a relatively small (26 metre) radiotelescope to listen for intelligent signals from two nearby stars. Since then astronomers have carried out about 50 SETI projects. Although there have been some heart-stopping false alarms, no one has picked up an extra-terrestrial message.

The failure of these searches has not dismayed the SETI enthusiasts, in view of the primitive techniques used so far and the intrinsic difficulty of the task. Astronomers have no idea where in the sky to point their radio receivers nor do they know on what frequencies other civilisations may be transmitting and with what signal pattern.

Nasa says its SETI project "will be billions of times more comprehensive than all previous searches combined." It will equip several giant radiotelescopes with multi-channel spectral analysers (MCSAs). These devices reveal very fine radio frequency structure and make it possible to scan 12m different channels at the same time.

Each MCSA will be attached to a special SETI computer which can process the signals as they come in and detect patterns that might convey extra-terrestrial intelligence. The system is designed to exclude patterns resulting from astronomical bodies such as quasars and pulsars and from human activities.

Nasa scientists realise that they will be a tempting target for terrestrial mischief. "Trying to hoax the SETI machine will surely be an attractive pastime for human beings who have a bent for that sort of thing," says John Billingham, chief of the SETI office at Nasa's Ames Research Centre in California. "We're trying to make our system hoax-proof."

SETI is concentrating on the microwave portion of the radio spectrum between 1 and 10 GHz, because that suffers least from natural background noise and should allow detection of the weakest signals.

The project has two parts. The "targeted search" will examine 773 specific stars within 80 light years of Earth with a frequency resolution of 1 Hz; they have been selected because they are similar to our sun and might have planets on which life could have evolved. The "sky survey" will search the entire sky with a less sensitive resolution (30 Hz).

If the equipment does detect non-random pulses that cannot be explained in terms of natural processes or human activity, Nasa will then follow the SETI code of conduct drawn up by the International Academy of Astronautics. There will be no public announcement that signals from an extra-terrestrial civilisation have been detected until an international panel of astronomers has confirmed the finding.

What happens after that will depend on the content of the signals. But the international code of conduct prohibits any reply to an extra-terrestrial message without the agreement of the world's political leaders.

If SETI is successful, the intercepted signals might turn out to be a deliberate message from an advanced civilisation to anyone who happened to be listening. Or we could be "eavesdropping" on signals transmitted for other purposes.

The deliberate message might be a simple "We are here" type of signal based on a universal mathematical concept such as a series of prime numbers, like one sent into space from the Arecibo radiotelescope in Puerto Rico by Frank Drake. Or it might be so complex and so rich in information as to be beyond the ability of our best cryptographers and most advanced computers to decypher.

But even if no one in the universe is deliberately trying to make contact with other advanced civilisations, SETI might pick up transmissions similar to the radio waves that have been leaking into space since the 1950s from television transmitters and early warning radar systems on Earth.

"If there's any intelligent species out to about 30 light years from Earth they probably know that we're here, because they will have noticed our planet becoming anomalously bright in the short-wave radio region of the spectrum," says Archibald Roy, professor of astronomy at Glasgow University. "At 30 light years they'll be picking up the first episodes of Coronation Street – though hopefully they won't be able to interpret them."

We may in fact be spared that embarrassment, because equipment far more advanced than that used in Nasa's SETI project would be required to extract any programme content from extra-terrestrial television signals. If there were by extraordinary coincidence a civilisation exactly like ours 30 light years from Earth, Nasa's targeted search would detect its presence from the powerful carrier signals underlying its TV broadcasts but would not give us any pictures or sound.

No one in the SETI team is prepared to estimate the probability of picking up unequivocal evidence for the existence of extra-terrestrial intelligence before 1999, when the Nasa project is due to finish. "Everyone has a different view on that," Billingham says. "But we think the chances are good enough to be worth doing the experiment."

Over the last two decades scientific opinion has increasingly supported the theory that intelligent life exists elsewhere in the universe – though not the idea that extra-terrestrial beings visit Earth. (Stories about encounters with aliens in UFOs make respectable SETI scientists shudder.)

Astronomy has shown both that simple carbon-based molecules, similar to the chemical building blocks of terrestrial life, are distributed widely through the universe and that there are probably billions of stars with planets like Earth. Although planets orbiting other stars are too small to be observed directly with even the most powerful Earth-based telescopes, Archibald Roy says indirect observations suggest that about half of the nearby stars have planets.

Estimates of the number of intelligent species in our galaxy range from 10m down to one. Perhaps the most uncertain of all the uncertainties involved in calculations of this sort is knowing how long a civilisation lasts on average, once it has reached the technological sophistication required to communicate across the galaxy. It may be a consequence of natural evolution that civilisations tend to destroy themselves through warfare and/or environmental pollution within a few decades of becoming as advanced as we are today. On that gloomy view, there will be very few species sending out radio signals at any one time.

If, on the other hand, the galaxy is full of civilisations that have passed successfully through the perils of technological progress, why have we not already heard from them? At this point the SETI debate enters the realms of science fiction. The "zoo hypothesis" is one speculation: the galactic powers may be keeping us isolated from extra-terrestrial contact while they observe our crude behaviour. Or possibly the favoured medium of inter-galactic communication is not radio but something so advanced that human scientists have not thought of it.

The speculative possibilities are endless. But on Columbus Day 1992 even sceptics may be moved by Drake's words: "We are listening for voices across the oceans of space just as we once sailed the high seas, not knowing what lands or peoples awaited us . . . Man is now emerging from his childhood and preparing to take a place among the community of galactic civilisations."

Stocks away at British Airways

Paul Betts reports on how the airline has benefited from a computerised inventory

Behind every airline there is a big engineering factory. But it is only in the last few years that airlines have started to grasp the enormous industrial potential of their engineering departments and stopped regarding them merely as providing maintenance and back-up for their fleets and aircraft operations.

"We are now seriously thinking whether engineering should be part of the airline's business or an independently run operation," remarked Alistair Cumming, British Airway's director of engineering.

Cumming's appointment as head of BA's engineering operations five years ago reflects how times have changed in the airline business. Previously, Cumming had been director of manufacturing at Rolls-Royce's military engine plant at Bristol. His principal aim at BA has been to apply modern manufacturing industry methods to the airline because, as he says, "when I came to BA I discovered that the control of the industrial process here was almost the same as in the manufacturing sector."

One of his first decisions was to devise a new computer-based real-time inventory control system called TIME. "The idea stemmed from my background at Rolls-Royce. Back in the 1970s we set up at the Bristol engine plant an inventory system to improve production based on a classic MPR (Materials Requirement Planning) system," he explained.

The concept was to enable the company to track down on a real-time basis all its stocks and inventory movements and to help it plan input and throughput of materials and components. At BA with a diverse fleet of 217 aircraft, the need for such a system was perhaps even greater than at Rolls-Royce. "There are as many as 600,000 to 700,000 different items in BA's stock of spares compared to around 60,000 for the Rolls-Royce Bristol engine operations. The total value of BA's stocks is around £1bn. These are big numbers," he said.

It took Cumming and his team of engineers nearly two years to introduce the system at Heathrow and at BA's other principal UK engineering centres. The airline recently introduced its TIME system at Tegel Airport in Berlin, a major BA aircraft maintenance centre, and is planning to link up New York to TIME early next year.

All stocks are now labelled with barcodes. TIME also uses a double entry system monitoring each movement of every spare part with a simultaneous record of when it leaves or arrives at a given spot. Apart from improving the efficiency of stock management to ensure that aircraft in maintenance are not held up because of unavailable parts, the system has helped reduce the company's level of stocks.

"When you are carrying £1bn worth of stocks it is obviously crucial to keep your stocks as low as possible," said Mr Cumming. About 45 per cent of the engineering department's costs involve materials and stocks while the rest is made up of labour and general overhead costs. Cumming says the system is saving BA about £10m-£15m a year and is expected to bring down the overall level of inventory from £1bn to around £800m-£900m.

Adapting new manufacturing systems to airlines was "a revolution" for the industry, Mr Cumming said. At a time of fierce international competition in the airline industry, these new techniques were becoming an additional weapon in the competitive arsenals of airlines.

The new inventory management system has also proved a useful and unexpected crime-busting tool for BA. It recently helped the airline unearth a racket in stolen aircraft parts at Heathrow. Aeronautical hardware including two auxiliary power units (APUs) worth about £350,000 each had been stolen from Heathrow and later re-emerged in the US. The inventory control system helped reveal the thefts because discrepancies in the system raised suspicions that equipment was disappearing from Heathrow.

The technology page will next appear on Wednesday, January 3

COMPANY NOTICES

De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

NOTICE TO HOLDERS OF 40% PREFERENCE SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 161

With reference to the notice of declaration of dividend advertised in the Press on 29th November, 1989, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 13.50 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 86.50 cents per share.

The dividend on bearer shares will be paid on or after 7th February, 1990 against surrender of coupon No. 161 detached from share warrants to bearer as under:-

(a) At the offices of the following continental paying agents:

L'Europeenne de Banque 21 rue Laffitte 75428 Paris	Banque Bruxelles Lambert 24 Avenue Marnix 1050 Brussels	Generale de Banque 3 Montagne du Parc 1000 Brussels
Credit Suisse Paradeplatz 8 8021 Zurich	Union Bank of Switzerland Bahnhofstrasse 45 8021 Zurich	Swiss Bank Corporation 1 Aeschenvorstadt 4002 Basle

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel Bank Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 31st January, 1990, at the United Kingdom currency equivalent of the rand currency value of their dividend on 2nd January, 1990; or

(ii) in respect of coupons lodged after 31st January, 1990, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel Bank Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00a.m. and 3.00p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel Bank Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 75 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.00
Less: South African non-resident Shareholders' tax at 13.50%	13.50
	86.50
Less: U.K. income tax at 11.50% of the gross amount of the dividend of 100 cents	11.50
	75.00

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries, G A Wilkinson

London Office:
40 Holborn Viaduct, London EC1P 1AJ

22nd December, 1989

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 11.50% instead of the basic rate of 25% represents an allowance of credit at the rate of 13.50%.

De Beers
De Beers Consolidated Mines Limited

SPAIN

The Financial Times proposes to publish this survey on:

19th February 1990

For a full editorial synopsis
and advertisement details, please contact:

Richard Olive on 01-577 0909

or write to him at:

Financial Times, Serrano, 58, 28001 Madrid
Fax: (01) 564 6813

Alternatively

Sandra Lynch, One Southwark Bridge, London SE1 9HL
on 01-873 4199

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
22	23	24	25	26	27	28

EXHIBITIONS

London

The Royal Academy. Inigo Jones, Architect – a full study and exquisite show of the intimate drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Jones was architect to James I and Charles I, and Greenwich Hospital, St Pauls' in Covent Garden and the Banqueting House in Whitehall remain to us as his masterpieces.daily until February 25, except bank holidays.
National Portrait Gallery. Tom Phillips – The Portrait Works: *a thorough, self-explanatory,* painstaking survey of the work of our most painstaking artist, always interesting and sometimes lively. Daily until January 21 except bank holidays.
Camera Portraits from the Collection 1839-1989 – a necessarily brisk but delightful and intriguing survey-cum-celebration.until January 21.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. There are cubist flat planes decomposing reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next to the cruelly distorted female faces, there are all the facets of Picasso's inventive genius.107, Rue de Rivoli (42603214), closed Tue. Ends Dec 31.
Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewelsdating from Greek antiquity describe most explicitly the vervewith which the god of love encouraged humans and gods alikein their uninhibited pursuit of pleasure. Closed Tue, ends Feb 5 (42895410).
Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) orThe Invention of Abstraction. The subtitle of the vast restro-spective sums up the progress of the Czech-born artist fromVienna-inspired symbolism to non-figurative canvases whereglorious colours acquire a life of their own. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).
Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the *middle-empire, continues with* a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends Jan 14 (40513838).

Brussels

Palais des Beaux-Arts. Ludwig Wittgenstein and his influence on twentieth century art. Also photographs of Yousuf Karsh both closed Monday and end January 28.
Musee Horta 25 Rue Americaine, posters by the 19th century Engraver Armand Rassenfosse in the Atelier of Horta's splendid housemuseum. Closed Monday ends January 14.
Musee Numismatique et Historique (at the Banque Nationale) an exhibition of contemporary Belgian Jewellery, medals and sculpture. Closed Monday ends Jan 31.

Rome

Braccio di Carlo Magno (St Peter's). Russian icons. Over 100 icons of superb quality in an exhibition organised jointly by the Soviet Ministry of Culture and the USSR-Italy Association to coincide with Mr Mikhail Gorbachev's visit to the Vatican in mid-December. The icons date from the 13th to the 18th century and have been lent by 20 museums throughout Russia, notably the Tret'jakov in Moscow and the RussianMuseum in Leningrad. Ends Jan 30.

Milan

Palazzo Reale. Fernand Leger retrospective: includes over 150 works – paintings, watercolours and book illustrations. Ends Feb 18.

Madrid

Caja de Madrid. Raoul Dufy. Works by French fauvist, well knownfor his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. The exhibit includes paintings, watercolours, drawings, ceramics and fabric design, belonging to private collections and museums.

Frankfurt

Kunstverein, Markt 44. The Frankfurt Kunstverein is thefirst stop on a European tour of the works by the American sculptor Louise Bourgois. After nearly 20 years unknown, she had her first retrospective in New York in 1983, organised by the Museum of Modern Art. The museum's director Mr Weiermair has organised the biggest retrospective to date with 120 sculptures and some early paintings by LouiseBourgois, now aged 77. Ends Jan 28.

Hanover

Sprengel Museum, Kurt-Schwitters-Platz. Der blaue Reiter (The Blue Horse). this museum is displaying around 61 pieces from its own collections as well as *some* additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macke, Alexej von Jawlensky, Gabriele Münter and Marianne von Werefkin can be viewed until Feb 11.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160pieces from New York. They can be seen only in Cologne until Feb 11. The retrospective includes works from the 1940s and 1950s as well as his famous portraits of Elvis Presley, Marilyn Monroe, Warren Beatty, and paintings based on advertisements.

Munich

Städtische Galerie im Lehnbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Vienna

The Kuenstlerians is host to Mercury and the Muses, a vast collection of artifacts, documents and objects from Leipzig, on display for the first time. The collection, ranging over four millennia, contains treasures from Ancient Egypt, Greece and Rome. The exhibition also contains European painting from the middle ages to the 19th century, including works by Caspar David Friedrich. Ends Feb 18.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autograph scores and librettl, letters and memorabilia, is the centrepiece of this exhibit, the most comprehensive ever mounted on the Vicorian operetta masters with more than 400 items on view. Ends Feb 18.
Metropolitan Museum of Art. A major exhibit of the works of Canaletto brings alive scenes of Italy in its secular glory. Though many are familiar, the exhibit makes the artist's vision a breathtaking panorama with touching attention to detail. Ends Jan 21.
Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their collaboration.

Washington

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

Tokyo

Bunkamura. The Museum. Major works from the Detroit Art Museum. El Greco, Goya, Rubens, Manet, Degas, Cezanne, Matisse, Picasso etc., more than 100 paintings from one of the largest public collections in the US. Closed Mondays.

THEATRE

London

Anything Goes **(Prince Edward).** Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).
The Good Person of Sichuan (Olivier). Magnificent National-Theatre revival by wunderkind Deborah Warner of Brecht's greatparable of moral ambiguity about a Chinese prostitute who cannotly do good by adopting a vicious disguise. If poverty is notcombated by political systems, what can an individual'scompassion do? Witty new translation by Michael Hofmann. FionaShaw leads a fine cast in a play new-minted for the 1990s. Dec 28-Jan 3, Jan 11-18, Jan 29-Feb 3 (928 2252).
Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually *startling and choreographically* feline (239 6262).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Annie 2 (Opera House). The American theatre is not immune to sequel-itis, which plagues the other arts, and here ordains a return trip to the orphanage for Dorothy Loudon surrounded by 18 sets, 33 actors and one dog. Ends Jan 20 (467 4600).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year. (443 3800).

Tokyo

Kabuki. At the National Theatre (365 7411). *Hokaibo* (also known as *Sumidagawa*). Living National Treasure, Baiko, leads a top-rank cast in a lively lowlife piece about a con-man who disguises himself as a priest. End Dec 26. The theatre has helpful English programme and earphone commentary.

MUSIC

London

London Symphony Orchestra. 'These you have loved', conducted by Richard Hickox, hosted by Richard Baker. Seasonal music and words. Barbican Hall (Sat) (638 8891).
Music and Dance from the Ballet. Orchestra of the Sadler's Wells Royal Ballet, conducted by Anthony Twiner, with the dancers of The Sadlers Wells Royal Ballet. (Tues) (638 8891).

Paris

Orchestre National de France conducted by Lorin Maazel: a Christmas concert (Mon). Théâtre des Champs Elysées (47203637).

Brussels

RTBF Symphony Orchestra conducted by Andre Vandernoot with Dinah Bryant (soprano) and Willy Dekegel (piccolo) performs works of Bach, Berlioz, Brahm's Ein Deutsches Requiem, Villa - Lobos's Bachianas Brasileiras, Vivaldi's string and Piccolo Concerto. (Fri) Eglise Notre Dame de-Lourdes in Jette.
Marc Grauwels (flute), Daniel Gruselle (accordion) and Thierry Smets (organ) with childrens chorus conducted by Jan Roels. Christmas concert (Sun) 15.00 Basilique du Sacre - Coeur(Koekelberg).

Frankfurt

Variete Roncalli, by Bernhard Paul (All week). Alte Oper.

Cologne

Jazz at the Philharmonie with Paul Kuhn and his band. (Wed) Philharmonie.

Madrid

Spanish National Orchestra and Choir conducted by Jurgen Jurgens. Handel's Messiah (Fri, Sat). Auditorio Nacional de Musica (337 01 00).

Florence

Claudia Termini (organ): Buxtehude, Bohm, Clerambault, Bach, Mendelssohn and Franck (Sun). Teatro Comunale (2779236).

Rome

Orchestra Concerto Italiano conducted by Rinaldo Alessandrini. Corelli, Vivaldi and Haydn (Wed). Palazzo Della Cancelleria. (311805).

New York

New York Chamber Symphony conducted by Nicholas McGegan. J.S. Bach programme (Wed). Kaufmann Concert Hall (996 1100).

Tokyo

Daikyu. Christmas week means one thing only in Japan: 'Daikyu' (Beethoven's 9th). There are dozens to choose from – including performances by the New Japan Philharmonic (Mon at Bunkamura, Wed at Tokyo Bunka Kaikan) (499 1531); NHK Symphony Orchestra (Tues and Wed at NHK Hall) (465 1780); Tokyo Metropolitan Symphony Orchestra conducted by Jean Fournet (Tues at Suntory Hall) (505 1010); Japan Philharmonic conducted by Jiri Belohlavek (Tues and Wed at Bunkamura) (234 5911); Tokyo Symphony Orchestra (Wed at Suntory Hall).

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A penchant for the Parisienne bourgeoisie

"Oh – truly, this is an age that makes a religion of failures; its high priest is Degas, and Mlle Cassatt is the choirboy." Thus spoke Edmond de Goncourt on Mary Cassatt's etchings. Confronted on entering this exhibition, *Mary Cassatt – the Colour Prints* (Williams College Museum, Williamstown; previously in Washington and Boston) by the complete Set of Ten colour prints that she exhibited *chez* Durand-Ruel in 1891, one can only wonder whether the old boy had left his guide dog at home on that particular day.

The Set of Ten, which is Mary Cassatt's masterpiece, chronicles various episodes in the daily round of bourgeois young Parisiennes. The woman – not always the same one – is generally depicted in private, engaged in washing herself, bathing her child, and so on. Even out and about, on the omnibus for instance, she keeps to herself, and it *is* revealing that the man in a topper in one of the early stages of this composition was swiftly excised.

The suite is inspired, both technically and to an extent thematically, by Japanese ukiyo-e colour prints, and especially by Utamaro, in the wake of a major exhibition at the Ecole des Beaux-Arts in the spring of 1890. Japanese influence explains the simplification of modelling, the play with reflections in looking-glasses, and in The Coiffure even an almost oriental cast of features. However, the atmosphere of intimacy is entirely Cassatt's.

The Set of Ten is best seen as a whole, as Mary Cassatt always intended, not least on account of the breathtaking daring and variety of the colour schemes. Gentle pinks, duck-egg blues, and eau-de-nils predominate, but there are also sharp accents of lemon yellow, (The Bath) and rich swathes of midnight blue (The Letter).

In this latter, one of the most memorable of the series, a poignantly reflective young lady, frozen in the moment of licking an envelope, comes close to the secret and lonely world of Vermeer; but there is never any sense of the artist being weighed down by the burden of tradition.

This is even more evident in the case of *Maternal Caress*, where an extraordinary intensity of feeling makes it so much more than a mere modern dress revision of the Madonna and Child. Of course it is important to Mary Cassatt's art that she is a woman, but the last thing she is is a "woman artist," if that term is intended to conjure up images of soft-focus fluffiness of the sort produced by Berthe Morisot and Marie Laurencin.

Inevitably and very properly the Set of Ten forms the focus of this exhibition. Around it are grouped as many of the preparatory drawings and different states as possible (usually five or six, although the first print, The Bath, required 17), as well as all the earlier and later colour prints, not to mention related drawings, pastels, and oils. The result is a feast for the eyes and at the same time an education.

The exemplary catalogue explains just how each design progressed, how Cassatt personally pulled plates and was helped to achieve the effects she desired thanks to the technical virtuosity of her printer, Leroy. The walls of the exhibition teach the same lesson, only more immediately, as we are privileged to watch the artist thinking out loud. Here, Cassatt time and again confounds our assumption that she cannot improve on what already looks like a finished work of art, as she adds ravishing colour after ravishing colour to the exquisite purity of her initial line.

It is rare to feel that an artist has found the ideal medium to give of his or her best, but it is hard not to when confronted by Mary Cassatt's colour prints in general and the Set of Ten in particular. Sadly, neither she nor her dealer Durand-Ruel seem to have realised they were her finest hour. For although she lived from 1844 to 1926, the earliest print in the show dates from 1889-1890, and the latest from 1895-1897. Nevertheless, as anyone fortunate enough to see this magnificent exhibition will testify, the colour prints of these years more than suffice to reveal Cassatt's genius. For far too long she has been reduced to playing the Edith Wharton role to Degas's Henry James: surely the time has come to grant the hind legs of this particular pantomime horse their independence.

The exhibition continues until January 21 1990.

David Ekserdjian

'In the omnibus' (fourth state) by Mary Cassatt

Katya Kabanova

TEATRO COMUNALE, FLORENCE

To the postwar Italian discovery of Janáček's operas, the Maggio Musicale in Florence was a leading contributor whether during the May festival itself, or during the less gala (but often equally interesting) brief winter season. Florence has produced four Janáček operas, three of them Italian premières. And the first of these – in 1957 – was *Katya Kabanova*, with the National Theatre of Belgrade, its artists singing in Serbo-Croat.

Three years later, Janáček returned, with a *Jenufa* sung in German. Then came *The Makropoulos Case* and *The Travels of Mr Brouckek*, both with the National Janáček Theatre of Brno, singing of course in Czech. In 1983, *Makropoulos* was heard in an Italian translation. And now, *Katya Kabanova* has just concluded a much-praised series of performances, this time in Czech.

The Teatro Comunale nowadays favours the use of titles, but on this occasion the producer, film-director Ermanno Olmi and the designer, Emanuele Luzzati, objected to them; to assist the audience, as the opera was to be sung in the original, Olmi invented the figure of a Narrator (discreetly interpreted by the actor Franco Zucca), who appeared on stage before the opera and, now and then between scenes, to explain, in the most terse terms possible, what was going on. For the totally ignorant, these appearances were too brief to be of much help, but fortunately the production was fairly traditional and the singers were, for the most part, also excellent actors, so the spectator coming to the work for the first time was able to follow the main points of the drama and enjoy it.

The conductor, Christian Thielemann, created an interestingly scaled-down reading, a chamber version (perhaps not totally suited to the big space of the Comunale). Within his self-imposed limits, he was able to establish a considerable range, from silken pianissimos to dramatic fortes, though Janáček's often jagged quirkish score lost some of its sharp contrasts, asperities were tamed and those sudden, often very short lyric explosions were homogenized. Everything sounded more "normal" than the Janáček we hear most of the time.

Similarly, in Olmi's direction, the characters were rather subdued, the Kabanicha of Stefka Mineva, in particular. She was still a domestic monster, but no more than life-size, the sort of woman the neighbours would probably think of as a good housewife, perhaps just a bit strict. Ashley Putnam's Katya was also sensitively gauged, submissiveness giving way to release, then dominated by growing fear, remorse, to the near madness of the tormented final scene in which, all the same, the artist never lost the sense of the natural dimension of her character.

Sharon Graham was a lively, appealing Varvara, neither too kittenish nor too mature. Her relationship with Katya was subtly portrayed, a feminine complicity, with a touch of recklessness and irresponsibility on the younger woman's part. The men – especially Jan Blinkhof as Boris and Barry Busse as Tichon – were well suited to their parts, and Dimiter Petkov was a properly grouchy Dikoj.

Santuzza Cali's costumes (post-dated from the 1850's of the story to a later date in the 19th century) looked like honest clothes, and the singers wore them easily, comfortably. Luzzati's airy forest framed most of the action. The Kabanov house glided on and off, as needed. Because its interior was seen in a shallow cross-section, with the expanse of leaves above and all around it, the house lacked oppressiveness, but its simplicity allowed most of the scenes to flow one into the next. The bank of the Volga, in the last act, looked real and ominous, but, oddly, the producer mismanaged Katya's death. She seemed to slip into a kind of puddle. But again, this staging may have been part of the general scaling-down attitude towards the drama.

One positive aspect of the production was Olmi's decision to give the whole work without any interval, underlining its concentration and intensity.

William Weaver

Mozart's 'Messiah'

FESTIVAL HALL

Messiah in Gloucester Cathedral on Boxing Day afternoon remains the most potent memory of the Christmases of my youth; playing the flute solos in the wonderfully Victorian edition of Ebenezer Prout left an imprint on my perception of the work that the subsequent assaults of two decades of authenticity have never quite erased. Nowadays a professional performance with flutes, clarinets and trombones is a rare bird, but the Royal Philharmonic Orchestra mustered a full classically proportioned band for its performance on Wednesday with the Huddersfield Choral Society.

The way to have your historical cake and to eat it nowadays – to perform something approximating to a traditional, large-scale *Messiah* while still keeping some of your street credibility with the authenticists – is to use *Mozart's* performing edition, which he produced in 1789 for Gottfried von Swieten, and which after its publication in 1803 served as a starting point for several generations of 19th-century emendations. Much of Prout stemmed from Mozart, and he reproduced much of the decoration as marginalia in his orchestral parts, while the thrilling trumpet call that climaxes "Hallelujah," has found its way into every impure version ever since.

Mozart's *Messiah* was due to be conducted on this occasion by Charles Mackerras, but he had fallen victim to influenza on that morning, and Jane Glover had replaced him. Had she been able to shape the singing and playing from the outset, or had Mackerras been there to fit the final pieces into his interpretation, perhaps a more convincing case might have been made for semi-old-style, semi-authentic Mozart/Handel. As it was, once nostalgia had run its course – and it was fascinating to hear again all the decoration in "O thou that tellest," the extra layers of chromaticisms in "The people that walked in darkness," the constant expressive reinforcements of the clarinets – the lack of clarity in the textures, the inevitably blunter attack of such a large chorus, and sheer lack of flexibility in voices and instruments, made one think longingly for a stricter more austere edition, as Handel would have imagined.

The soloists were fine, well drafted for the kind of performance this was always intended to be. Philip Langridge tried to marry some baroque elegance to what was otherwise 19th-century declamation (but beautifully articulated declamation); John Shirley-Quirk, Della Jones and Valerie Masterson were tidy and accomplished. But their singing did not blaze with conviction, neither did that of the choir; sometimes the most pragmatic of intentions end up satisfying no one at all.

Andrew Clements

Murders in the Rue Morgue

HAYMARKET STUDIO, LEICESTER

Poe's tale is the basic locked-room murder, though his novel solution is not one that would stand for much repetition. His detective Dupin, played here by Stephen Caro, is a Holmes prototype, reaching his conclusions by the consideration of what the average man, such as his proto-Watson, the American Edmund Perry (Laurence Kennedy), would think of as small details. This is the story, from which I need only omit one significant point.

Mme L'Espanaye and her daughter are murdered in their apartment in the Rue Morgue. She had her head wrenched off, her daughter was strangled and her body then pushed up the chimney. The windows and the skylight were nailed shut, and any exit by the door would have taken the killer past the folk who had been attracted by the horrid sounds.

So although no one could have seen the killer, there were people that heard the voices of two males in what was believed a purely feminine apartment. One was clearly heard to say "*Mon Dieu!*", but the other, harsh and gruff, wasn't clearly head at all. One thing was sure, he wasn't French. What he *was* was never agreed, for everyone gave him a different interpretation.

In a long, dreadfully untidy adaptation by Simon Usher (who is also co-director) we see how Dupin worked, sometimes asleep on the floor of his apartment, a hater of daylight and noise. Usher devotes whole scenes to such details. There are about a *dozen* and a half scenes in the first of two long acts, beginning with the dwarf actor Chantilly being mobbed for his performance in *Xerxes*, never perceptibly followed up.

Certainly all the details of Poe's story get in, even if not in the original order. There are several short scenes showing detail of the investigation, including the alarming fall of Mme L'Espanaye's body from the flies, and a posthumous account of the fatal evening by Madame herself.

Still, longwinded as the script is, the playing is decent, and includes as a special treat Fenella Fielding in five guises, from bare-breasted laundress to corpse, often in company with Valerie Gogan, who is also a boy or a gendarme as need be. Dupin and Perry have a proper Poe character, but their scenes of intellectual detection run very slowly.

The other parts are divided between Neil Swettenham (a dignified prefect of police) and Kevin Costello, who exchanges his doctor's professionalism for the alarm of a seaman from a Maltese ship, who says things like "I cannot tell you what depths of despair I then encountered." There is also a young girl as any young girl in the story.

The truth is that the dramatic point of Poe's tale is the unexpected solution to the killer's identity, and the innumerable details that Usher has assembled so painstakingly, though they may keep the reader attentive, need *not* be exhibited on stage.

Fenella Fielding

It's no use waiting to see the killer; we don't.

David O'Shea is Usher's co-director, and Anthony Lamble designed the handy multiple set, and there is a welter of incidental music by Gavin Bryars that suggests Satie extemporising at a synthesiser.

B.A. Young

Porgy and Bess

QUEEN ELIZABETH HALL

The Sherwin M. Goldman bicentennial production of Gershwin's opera, much travelled since its first performance in Houston, Texas in 1976, was to have come to London for the first time on Monday, playing for a season in a tent on Ealing Common. Last week's gales saw to that, but the large and talented company managed to salvage something from the wreckage with a single concert performance mounted, alas, under conditions approaching Official Secrecy at the QEH on Tuesday (the London evening paper still directed potential audiences to Ealing).

A small audience prepared to brave the eccentric starting time of 9.00pm (and, since the opera was given – bravo! – with only trifling cuts, an ending time well after midnight) was amply rewarded: this was a marvellous evening, triumphing over circumstances (scant orchestral rehearsal, passing problems of balance) and fully deserving the standing ovation at the end. What is it about *Porgy* that rouses even phlegmatic English audiences to such frenzy? Just the combination of a score of genius and comparative rarity of performance? Post-imperial guilt? Like Bernstein's Cunégonde, we'll go into that another day . . .

Such audiences have, of course, been spoiled both in the theatre and on record by performances under Simon Rattle. Here the enormously experienced *Porgy*-hand John DeMain was in charge; while Rattle proudly proclaimed the work's towering stature in the context of 400 years of mainly European operatic activity, DeMain emphasized its American-ness with incisive rhythm, unstoppable forward momentum, even a touch of Broadway glitz in the sound conjured from the new Royal Philharmonic Opera Orchestra, which made up in spirit for what it may have lacked in finesse (the storm episodes were overwhelming).

The theatricality was carried over into the singing: this was no ordinary concert performance. Naturally, since all were prepared for the stage, there were no scores in hands, and gradually, inevitably, the production took over in the chaste QEH surroundings, whether in the dealing and consuming of Happy Dust, in Bess's as-it-were fully staged duets with Porgy and Crown, or in the infinitely tender relationship between Clara and Jake, suggested by the way they sat on their concert-performance chairs holding hands or with their arms round each other as if this were the most natural thing in the world.

And there was some exceptionally accomplished singing. Marquita Lister, singing Bess for the first time, has a thrillingly vibrant soprano, perfectly placed throughout the range and growing more exciting the higher she goes. The same was true of Theresa Hamm's Serena, the top beautifully burnished, and both ladies frankly outdid their colleagues in Sussex. Gregg Baker repeated his unbeatable Crown, Ivan Thomas sang Jake with beautifully warm, rounded timbre, and Roberta Gumbel made a ravishing Clara. How one longs to hear these singers in other roles, and how jealous one is of opera-goers in Europe and the US who do.

The one slight disappointment was the Porgy of Michael Smartt, well enough sung, but striving for superficial theatrical effects that were in danger of toppling over into mere melodrama. The supporting roles were without exception vividly taken, many by members of the chorus who richly deserved the designation in the programme of "Ensemble" (Cornelius White's Crabman was a gem). There is a faint possibility of performances resuming at Ealing next week: if they do, hesitate not. The ingredients for an outstanding *Porgy* are all there.

Rodney Milnes

"Lady Chatterley's Lover" on Radio 4

The trial of D.H.Lawrence's novel *Lady Chatterley's Lover*, brought nearly 30 years ago under the Obscene Publications Act, is reconstructed in a new BBC Radio 4 drama-documentary on January 1.

The same evening, Ian Hogg begins a 15-part reading of the novel for Radio 4's "A Book at Bedtime" (10:45pm).

Radio 3's Friday Play on January 5 is Lawrence's *The Daughter-in-Law*, with Samantha Bond in the title role.

Aldeburgh gala at the Barbican

The Aldeburgh Foundation is holding a Gala concert at the Barbican on March 7 to go towards the Aldeburgh Appeal.

As well as the Britten-Pears Orchestra, musicians with a close association with the Festival will take part including Mstislav Rostropovich, Tamas Vasary, Ileana Cotrubas, Anthony Rolfe-Johnson and Michael Collins.

The programme will include works by Mozart, Schubert, Chaikovsky and Britten.

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FINANCIAL TIMES

ARTS GUIDE

December 22-28

OPERA AND BALLET

London

Royal Opera, Covent Garden. The revival of *Der Freischütz* brings back to Covent Garden the production's original conductor, Colin Davis, and leading tenor, René Kollo; the cast also includes Karita Mattila, Judith Howarth, and Hartmut Welker.

English National Opera, Coliseum. The 1987 David Pountney magical production of *Hansel and Gretel*, a triumph of intelligent modern operatic rethinking, reassembles most of the original team – Mark Elder (conductor), Ethna Robinson and Cathryn Pope in the title roles, and Felicity Palmer and Norman Bailey as the parents. Further performances of Richard Jones's witty production of Prokofiev's *Love for Three Oranges*.

Paris

Théâtre des Champs Elysées. The Bolshoi Ballet School. *Swan-Lake* (2nd act) in Lev Ivanov's choreography and *Divertissements* is followed by *Coppelia* (3rd act) in Maxim Martirosyan's choreography (47203637).

Théâtre de la Ville. Michael Moschen brings from the US the juggling and dancing of the new variety artists (42742277).

Brussels

Theatre Royal de la Monnaie. The Monnaie opera in Schubert's *Fierrabras* (concert version) conducted by Ingo Metzmacher. (Tues, Thurs).

Theatre Royal de la Monnaie. The Monnaie dance group. Mark Morris in *Stabat Mater, Love, You Have Won* and *Marble Halls*. Philippe Herreweghe conducts the Ghent collegium Vocale Orchestra (Wed).

Palais des Beaux-Arts. The Bolshoi Ballet, second act of *Swan Lake* (Thurs).

Vienna

Staatsoper. Mozart's *Cosi fan tutte* conducted by Nicholas Harnoncourt; Verdi's *Aida* conducted by Giuseppe Sinopoli; *Der Rosenkavalier* conducted by Weikert. **Volksoper.** This week: *Wiener Blut, Hänsel und Gretel, Die Zauberflöte, Eine Nacht in Venedig, My Fair Lady, Das Land des Lächelns.*

Berlin

Opera. The new samson *Und Dalila* production, by Gian Carlo del Monaco features Marjana Lipovsek, Wladimir Atlantow and GeorgeFortune. *Der nussknacker* has wonderful Rudolf Nureyev choreography.Haensel und gretel has fine interpretations by Karan Armstrong, Marcia Bellamy and Gudrun Sieber. Also a concert with the opera orchestra and choir, conducted by Jesus Lopez Cobos with Beethoven's 9th Symphony, sung by Pilar Lorengar, Kaja Borris Peter Seiffert.

Hamburg

Opera. *Die Frau Ohne Schatten* has a strong cast led byCarmen Reppel, Helga Dernesch, Yoko Kawahara-Stobinski, Ingrid Bjoner, Harald Stamm and Robert Schunk. *Eugen Onegin*, sung in the original language, stars Bernd Weikl, Katalin Pitti, Daphne Evangelatos, Olive Fredricks and has Peter Blochwitz. The successful rediscovered *Opera der Schatzgraeber* by Schreker is steered to triumph by Gabriele Schnaut, Josef Protschka, Harald Stamm and Franziska Ponitz, briliant as leads. *Haensel und Gretel* rounds off the week.

Cologne

Opera. *Haensel und Gretel* with Tone Kruse and Machiko Obata is a well done repertoire performance. The magic flute hasZdzislawa Donat as Queen of the Night, Teresa Ringholz and John la Pierresinging other parts. *La finta giardiniera* brings Michael Myers,Teresa Ringholz, John la Pierre and Janice Hall together.

Bonn

Opera. *Aida* is an evant of more than passing interest with Allessandra Marc, Diane Curry, Lando Bartolini, Giorgio Zancanaro and exellently conducted by Dennis Russel Davies. *Der nussknacker* has Youri Vamos choreography.

Frankfurt

Opera. *Ariadne auf Naxos* will have its premiere this week, produced by Peter Mussbach. The main parts are sung by Helena Doese, Michael Sylvester, Kimberly Barber, Pia-Marie Nilsson, Hellen Kwon and Christopher Robertson. Also offered *La Boheme* with Eliane Coelho, Patricia Wise, Gregory Yurisich and Jurij Zinovenko and William Forsythe's musical *Isabelle's Dance*.

Stuttgart

Opera. Hans Werner Henze's opera *Die Bassariden* is well done by Karan Armstrong, Marcela Holzapfel, Ortrun Wenkel, Kenneth Riegel and Wolfgang Schoene. *Tannhaeuser* has Toni Kraemer repeating his much praised performance in the *Timle Role*. Figaros Hochzeit returns.

Madrid

Ballet Nacional de Espana. *Don Juan* is a new ballet choreographed by artistic director Jose Antonio, who is also the lead dancer, and conducted by Enrique Garcia Asensio. Teatro Lirico Nacional la Zarzuela (429 82 25). Ends Dec 30.

Barcelona

Hungarian State Opera production of *La Fiamma*, with Montserrat Caballe and Elena Obraztsova in the leading roles; Andras Miko conducts. Gran Teatre del Liceu (318 92 77).

Rome

Teatro Dell'opera. The Rome Opera Ballet company in Prokofiev's *Cinderella*, with choreography by Ben Stevenson, conducted by Pier Giorgio Morandi (46.17.55).

Milan

Teatro Alla Scala. Pergolesi's *Lo Frate Innamorato* in Roberto de Simone's production, conducted by Riccardo Muti. The cast includes Bernadette Manca di Nissa, Elizabeth Norberg-Schulz, and Ezio di Cesare; and Pier Luigi Pizzi's production of *I Vespri Siciliani*, with Cheryl Studer, Chris Merrit and Ferruccio Furlanetto conducted by Muti (80.91.26).

New York

Metropolitan Opera. Actor Dom DeLuise makes his Metropolitan Opera debut in the speaking role of the jailer Frosch in the Christmas performance of *Die Fledermaus* conducted by Hermann Michael, with Carol Vaness as Rosalinde, Brigitte Fassbaender as Prince Orlofsky and Neil Shicoff as Alfred. James Levine conducts *Wozzeck* with Hildegard Behrens, James King and Graham Clark. Performances continue of August Everding's new production of *Der fliegende Holländer*, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. Lincoln Center Opera House (362 6000).

New York City Ballet. *The Nutcracker* takes up the holiday season until Dec 31. New York State Theatre, Lincoln Center (870 5570).

Alvin Ailey Dance Company. Revelations highlights the retrospective of the company founder's by now familiar but ever rousing mix of lively dance steps set to American gospel, jazz and folk rhythms. Ends Dec 31. City Center (581 7907).

Tokyo

Asami Maki Ballet Company in *The Nutcracker*. Choreography by Jack Carter (after Petipa, Ivanov). Yubin Chokin Hall, Shiba Koen (Mon) (360 8251).

Bulgarian National Folk Ensemble. Kan'i Hoken Hall, Gotanda (Wed, Thur) (490 5111).

FINANCIAL TIMES
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Friday December 22 1989

Good cheer for some

THE STORY told by the OECD is the seasonal one of good cheer. The richest countries in the world are gorging themselves on all manner of good things. Outside, however, are the poor, their noses pressed in envy against the window panes. For if the 1980s have been surprisingly good for the rich, they have been thoroughly miserable for far too many of the poor. The challenges of the 1990s will be to sustain the achievements of the 1980s, but also to allow those now outside to share in the feast.

The OECD expects that economic growth will proceed at about 3 per cent a year over the next two years, with the US faring a little worse than the average and Japan better. Such growth would be in line with the long run potential. It is no surprise, therefore, that inflation is expected to remain at around 4½ per cent a year. Nor is it surprising that the infamous "imbalances" are expected to remain much the same, too.

Inflation looks the more disturbing, though that may merely indicate that familiarity with "imbalances" has brought contempt. But if 4½ per cent is, indeed, as low as inflation will go, then the "landing" after next could prove disturbingly hard. The world's central bankers will need to be decidedly cautious for another year or two.

Japan's adjustments

It is on the "imbalances" that the OECD has the most interesting information. The OECD may expect little further progress in their reduction, but one must not ignore what has already occurred. Japan has made noteworthy adjustments already, partly as a result of a 5 percentage point increase in the share of business investment in gross national product since 1987. Next year the OECD forecasts the dollar value of Japan's current account surplus at below that of West Germany, which is already more than double that of Japan as a share of GNP. None the less, western Europe as a whole has adjusted, its external surplus having fallen to a mere $6bn in 1989.

Is the existing pattern of international lending sustainable? The OECD registers concern, for example, that the flows between West Germany and the rest of western Europe reflect inflationary excess demand in a number of countries. The report is indecisive, however, about whether the present level of the US current account deficit is sustainable and, if so, for how long.

Both a priori arguments and an intriguing simulation of supply and likely demand for new dollar assets demonstrate the complexity of the question, but fail to provide answers. The balance of risks suggests that a lower US current account deficit would be desirable, but this can be little more than a presumption, especially when the world's statisticians tell us that in 1989 the world will run a deficit of no less than $84bn with itself.

Pool of savings

What cannot be doubted is that, if the beggars at the gates are to get a share of what is on offer, the developed countries must absorb less of the world's pool of surplus savings. This was an important theme of the first annual report from the World Economy Group of the World Institute for Development Economics, released earlier this week. Moreover, the problem can only get worse if, as seems likely in the medium term, a significant part of the German surplus will be absorbed within Germany — both East and West.

A reduction in the current account deficits of countries like the US would also contribute to another cause: the willingness to open markets in goods. Trade is the one major part of the economies of industrial countries that has not been liberalised in the 1980s. The completion of the Uruguay Round next year gives the rich countries of the world the perfect opportunity to reverse this dismal trend.

By and large, western countries have shown Scrooge-like indifference to the rest of the world in the 1980s. Trade liberalisation is a good policy for such Scrooges, since it is a way of getting rich by doing good. If the developed countries no longer have the capacity for generosity, they should at least have the wit for enlightened self-interest.

Time to rethink student loans

MR JOHN MacGregor, Britain's Education Secretary, was in defiant mood yesterday. The Government, he said, would press ahead with the Student Loans Bill regardless of the withdrawal from the scheme of the leading UK clearing banks. Such a reaction was predictable, but hardly sensible. Mr MacGregor has failed to win the level of support necessary for successful implementation. The Government should withdraw a badly flawed bill and accept that there better ways of introducing student loans.

As so often in the past, the Government's embarrassment is a direct consequence of its reluctance to consult before introducing controversial legislation. Mr Kenneth Baker, Mr MacGregor's predecessor, never bothered to publish a green paper on student loans. In November, 1988, when the white paper was published, the clearing banks were startled to discover that they were expected to administer a scheme devised in secret by civil servants. The arrangement was that ministers would decide who got loans and on what terms; the banks would do all the paper work and assume the thankless task of collecting unpaid debts. The surprise is not that the banks pulled out, but that they contemplated involvement for so long.

Public sector

Mr MacGregor accepts that the Student Loans Company, which was to have been owned by the banks, will now have to be a public sector body. It would not have access to the banks' extensive branch network. Mr MacGregor hinted yesterday that the Post Office could play a role in distributing loans and collecting repayments, but the details were not spelled out. But even if some such scheme could be cobbled together, it would be wiser to abandon immediate plans for legislation.

There is, after all, no need to hurry. The main argument in favour of loans is that they would reduce the cost to the Exchequer of each student and thus facilitate an expansion of higher education. Such considerations will be important in the late 1990s, but in the next few years demographic trends will put *downward* pressure on student numbers. The public expenditure burden of rising participation in higher education is likely to be quite modest. Moreover the Government's loan scheme is not expected to provide cumulative net savings for about 25 years. A delay would thus not pose any kind of financial problem for the Government.

Disincentive effects

The main disadvantage of any loan scheme is that it will have disincentive effects. If the cost to the individual of higher education is sharply increased, demand is likely to fall, especially from disadvantaged groups. This risk should be taken particularly seriously in Britain where the value of education is not widely appreciated: at present, a mere 5 per cent of students are drawn from the two bottom socio-economic classes, even though they account for 23 per cent of the overall population. The scheme that Mr MacGregor is striving to salvage would probably have quite severe disincentive effects because it requires mortgage type repayments from students.

The good news is that there is an alternative. Instead of setting up a new quango, the Government could use its existing tax and social security machinery to collect loan repayments. Graduates could simply be required to pay slightly higher than average national insurance contributions until their debts are extinguished. This would be like a state pension in reverse: instead of paying now for a benefit expected in the future, contributors would be paying for a benefit received in the past. Administration costs and the risk of default would be extremely low, certainly much lower than in a mortgage-style scheme run by the Post Office. And disincentive effects would be minimal: few intending students would be put off by the prospect of facing the equivalent of an extra penny or two on the rate of income tax.

The advantages of a national insurance loan scheme are widely recognised by academics, if not by students. The question is whether Mr MacGregor has the courage to say that Mr Baker was wrong.

Drinking deep from the European cup: President Bush enjoys a goblet of Rhine wine during a visit to Chancellor Kohl of West Germany this summer

Transatlantic ties still come first

Peter Riddell explains why Europe remains President Bush's foreign policy priority

THE US will remain a European power. That intention has been reaffirmed by President George Bush on each of his three European visits this year as the pace of change in eastern Europe and the apparent reduction of the Soviet military threat have made the US more, not less, determined to strengthen transatlantic ties.

While attention this week has naturally been focused on the US's hemispheric role as an American power in Panama, Mr Bush and his advisers have spent much more time this year considering how to deal with the changes in Europe and the Soviet Union.

The President has been accused of not offering a vision of where the western alliance should go. But in the past few weeks he, and Mr James Baker, the US Secretary of State, have put forward a number of specific proposals for future western co-operation; putting in place "a new architecture for a new era." This involves a broader role for Nato, more formal US ties with the European Community and an expansion of the work of the 35-nation Conference on Security and Co-operation in Europe as the bridge between west and east.

Behind the theme of "a new Europe on the basis of a new Atlanticism" lies an assertion of American strategic interests — to retain a US say both in the ending of Europe's divisions, especially in the future of Germany, and in the increasing economic integration of the EC. This reflects a belief that the US has an important continuing role in helping to ensure Europe's stability and a fear that US interests will be brushed aside by a resurgent Europe.

For much of the last 30 years since Europe's post-war recovery there has been mutual exasperation across the Atlantic. Europeans have been irritated by what they have seen as an over-simplified US view of communism and Soviet intentions, whether in south-east Asia, central America or in arms control. The US has regarded the Europeans as less than wholly reliable allies, in, for example, the battle against terrorism.

When Mr Bush came into office last January transatlantic relations were strained. There was friction over the future of short-term nuclear missiles and, more generally, much talk about the dangers of a protectionist Fortress Europe resulting from creation of the single market after 1992.

But Mr Bush already knew Europe well, and has frequently talked to its leaders frequently. He is also by temperament a manager who likes to consult rather than a dominant leader. After a faltering start, Mr Bush has earned the apparent respect of many European leaders.

As Mr Bush argued in an important speech in Boston last May: "There has been an historical ambivalence on the part of some Americans towards a more united Europe. To this ambivalence has been added apprehension at the prospect of 1992." However, his Administration believed that "a strong, united Europe means a strong America" — adding that the US was ready to develop, with the EC, and its member states, "new mechanisms of consultation and co-operation."

For much of the last 30 years there has been mutual exasperation across the Atlantic

The first stage was the acceptance of the 1992 process. Mr Bush decided that — whatever concerns that the US might have about particular issues such as broadcasting quotas or soya-beans — it was better to be on the inside seeking to persuade, than on the outside denouncing. Relations were anyway improved by a revised EC banking directive which reduced the fears of many US bankers and financial officials about Community discrimination against them and by EC reassurances over the setting of product standards.

The second stage came during the summer with the moves towards political pluralism in Poland and Hungary. At the seven-nation summit of industrialised nations in Paris in mid-July, Mr Bush unreservedly backed the European Commission as co-ordinator of international help for the two countries. Because of domestic budgetary constraints, the US cannot repeat the Marshall Plan by which it helped western European recovery in the late 1940s and early 1950s. Mr Bush also recognises the strength of western Europe and its ability to take a lead.

The third stage has come this autumn as reforms have spread throughout eastern Europe, particularly after the breaching of the Berlin Wall on November 9. Mr Bush and Mr Baker want to ensure that German reunification does not jeopardise relations with the West German Government, with other European allies or with the Soviet Union. Hence the US has stressed that moves towards German unity should only occur gradually, by consent, on the basis of western values and in the context of Germany's commitment to Nato and the EC.

In the eyes of Washington, if the future of Germany is a European question, then the best means of anchoring a unified Germany within western Europe is through the EC as a force for stability and predictability.

For the US, European integration means more than just trade; it has a political and security dimension. Mr Bush recently called in Brussels for "both a continued, perhaps even intensified, effort of the 12 to integrate, and a role for the EC as a magnet that draws the forces of reform forward in eastern Europe."

That remark was not meant as a deliberate rebuke to Mrs Thatcher for her views on Europe. While the US backs EC integration in principle, it believes the extent of that integration — monetary union and the Social Charter — are for the Europeans to decide; in fact, on many detailed points the US is nearer to Britain than other EC countries. Mr Baker dropped the word "intensified" from his Berlin speech 10 days ago because he wanted to avoid "there being a problem" on this issue.

Nevertheless, for all the Bush Administration's desire to placate Mrs Thatcher, US officials are impatient with her for appearing to drag her feet. West Germany is now not only receiving more of Washington's attention because of events in central Europe but Bonn, like Paris, is also more on the same wavelength with Washington. Yet, on Wednesday, Mrs Thatcher underlined Britain's loyalty as an ally by quickly supporting the US military action in Panama.

While welcoming European integration, the US does not want to be left out. Not only does Mr Bush believe that America's continued involvement — retaining "significant military forces" in Europe as long as the allies want them — will aid stability, but it also does not want to be excluded by EC economic integration. The Bush/Baker development of the US's post-war Atlanticism reflects a considerable American apprehension at its own reduced economic power. The US response has been to seek partnership — a more equal relationship — with both Europe and Japan.

Hence the recent US suggestions for closer ties with the EC are double-edged. The political pressures for closer links are being used to get more of a US foothold in the EC and more of a prior say in its economic decisions.

How the proposals work in practice is uncertain. Mr Baker talked in Berlin of the US and EC working together "to achieve, whether in treaty or some other form, a significantly strengthened set of institutional and consultative links." This was a trial balloon, rather than a fully worked out plan. Mr Baker has said he mentioned the treaty idea to show that the US would be "prepared to consider going that far if that was of interest to the US." It might, he suggested, be possible to institutionalise consultative links in a way that did not require that.

One possibility put by Mr Baker would be to have a formal framework of meetings between a number of US Cabinet officers and the European Commission twice a year, in the US and in Europe. A parallel idea is to strengthen the present procedures for consultation every six months between the US and the troika (the immediate past, present, and next presidents of the Council of EC Ministers). At present these are at political director level.

A senior State Department official talks of the US seeking "not a 13th seat at the table (a suggestion made in the spring by Mr Robert Mosbacher, the Commerce Secretary, and quickly rejected, and dropped), but in a subtle way of wanting to ensure that the EC has an Atlantic western foundation." The aim is to give the US a consultative position, short of membership but more than just another outside trading partner.

The US has also proposed developing the political side of Nato in the light of the changes in eastern Europe and the prospect of an early conventional forces agreement. The attraction of Nato is not only that it is a body with which the US is comfortable, but it is also seen in Washington as complementary to the EC. Mr Baker has urged the creation of a Nato Arms Control Verification Staff to assist national governments in monitoring compliance. The US is also keen to involve European countries in discussing regional conflicts (where America is still critical of Soviet behaviour), as well as the proliferation of missiles, and chemical and biological weapons. Many European countries have often been reluctant to follow the US lead on, say, central America, as a number were this week over Panama.

US conservatives like Mr Richard Perle, an influential official in the Reagan-era Pentagon, have argued that the relevance of Nato will inevitably decline. He has suggested that any political role is likely to be inherited by the EC — not least because political differences across the Atlantic, which were suppressed in the interests of security, are likely to increase in importance now that the sense of danger has diminished.

The other, and least clear, leg in the US plan for "a new architecture" involves the Conference on Security and Co-operation in Europe, the 35-nation group which includes not only Nato and Warsaw Pact countries, but also neutral nations. Its primary achievement so far has been the Helsinki Final Act of 1975 on human rights. But Mr Bush believes it could have a role in bridging both the division of Europe and the Atlantic by, for example, becoming involved in the spread of political parties, free elections and free markets.

Many of the US ideas have been welcomed by Nato and the EC. European countries see advantages in continued close transatlantic ties, not least as a means of handling the German question.

Yet the Bush/Baker proposals are no less important as a means of anchoring US support for continued American participation in Europe when there will be big pressure for defence cuts. As Mr Robert Hunter, a Carter administration European specialist, says: "The most difficult problem is the US willingness to sustain involvement in Europe when Europeans are competing with us. The alliance has to work economically."

Europe sees advantages in continued close US ties, not least for the German question

American attitudes towards the Europe of the past few months are clearly different from those appropriate to a weak Europe faced by an evident Soviet threat. The present small minority of isolationists are not the only Americans who could become impatient if they see an integrated Community turning its back on the Atlantic. From Europe's point of view, therefore, ensuring that the US has a voice in European discussions would be a means of maintaining American commitment to the continent's stability.

Lifespans in Japan

■ Despite — perhaps because of — the pace of life in Japan, its people expect to live longer than those in any other part the world today. So is there a link between Japan's health and its economic development?

Two London dons raise the question in the British Medical Journal this week. M G Marmot and George Davey Smith think the same factors may have benefited both and that economic development may be responsible for a fall in mortality.

Japanese statistics belie the fact that Man may be reaching the limits of life expectancy, they say. The life expectancy of a girl born in Japan today is 80.9 years, but only 77.7 years in England or Wales. In two decades it has risen by eight years for Japanese women, 7.5 years for men.

The dons think the way work is organised in Japan may have something to do with it. Whether the Japanese worker is "happier" than his British counterpart, they will not say. But they believe the Japanese commitment to work, and management's commitments to the worker, are stronger than in Britain.

Cautiously they venture: "If commitment is related to job satisfaction and lack of alienation, it may be important for health."

Japanese economic growth seems to have been accompanied by a narrowing the income gap between richest and poorest. The difference between the richest and poorest in Britain has widened over the past 20 years, the dons say. "This may have profound importance for health."

Pol Pot MP

■ Ministers in the House of Lords had to endure some rough handling from both sides of the Chamber before departing for their Christmas break, which will extend to January 15, seven days longer than that provided for their colleagues in the Commons. The subject was student loans.

Conservative critics included Lord Beloff, a former professor of government at Oxford, who said Robert Jackson, the junior minister allocated most of the blame for the mess, was widely known as the "Pol Pot of academe."

OBSERVER

"Your reindeer's just fouled the environment."

Top crane

■ Perhaps the big construction companies would have decorated their sites for Christmas anyway; we like to think, however, that our competition for the best-dressed crane was an incentive.

From Observer's vantage point in Southwark, it seemed likely that the top prize would go to one of the illuminations on either side of the City stretch of the Thames, which has been transformed by the show. One spectacular display of flashing lights directed towards the dome of St Paul's Cathedral looked a safe bet.

It is on the site of the office development for Ohbayashi Properties UK and of some sentimental interest because it is also the site of the old Financial Times headquarters. Trollope & Colls, the contractor, has received a high commendation, but has been told that itscontribution lacks "seasonality."

Perhaps, too, Observer should have looked wider. The third prize has gone to Higgs and Hill for its crane at the office development for Cabin Ring in Bristol.

Sir Robert McAlpine's crane, with Father Christmases climbing up it, at the development by Gloucester Road Underground station in London, came second.

The winner is John Laing Construction for the crane at the London Metropole Hotel site in Edgware Road, Paddington. There are more than 2,000 lights arranged to look like Father Christmas and his reindeers moving across the snow. The prize is a free full-page colour advertisement, published in today's paper.

Bowman's table

■ Harold Bowman, who has retired from Great Universal Stores at the age of 76, is a delightful man with a habit of taking journalists to lunch at the Savoy's River Restaurant. But he has a ruthless streak, and tells a story to demonstrate it.

Bowman always occupies a window table in the River Restaurant, a coveted position with a view over gardens and river. It took him several years to reach such eminence. He started patronising the restaurant as a young man, but was initially placed in the rank of tables furthest from the window.

As the years passed, he gradually moved towards his goal. After some time he eventually reached the row next to the window, but became stuck there.

Often he would ask the head waiter when he could move to the window, only to be given the answer that all the lunchers at the window tables were regulars of even longer standing: until one of them vanished, Bowman could not progress.

Eventually Bowman was lunching one day when a regular at a window table became ill. Bowman called over the head waiter. What had happened to the poor fellow at the window? he asked. The head waiter discreetly mentioned that the man had had a heart attack and was unlikely to be lunching there again for some while.

"Can I have his table?" riposted Bowman instantly. He has lunched by the window ever since.

OECD trends

■ The fast growing countries of mostly north-east Asia used to be known as Newly Industrialising Countries, or Nics. China objected because Taiwan is not a country, and so the name was changed to Newly Industrialising Economies, or Nies.

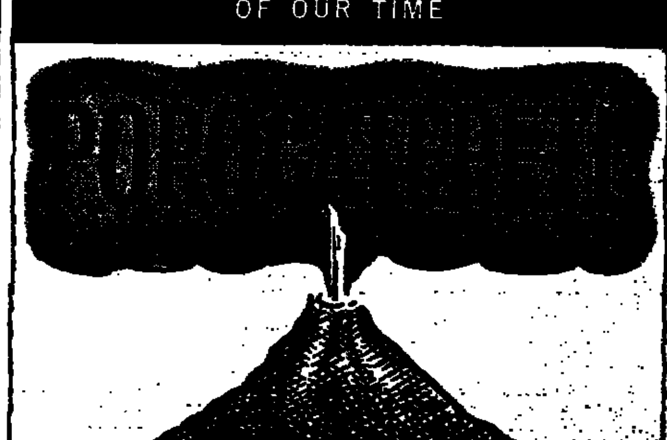
We had just got used to that. Now Thailand and Malaysia have objected to Nies because they do not like to think of themselves as industrialised. The Organisation of Economic Co-operation and Development has gone along with them and come up with Dynamic Asian Economies, or Daes, pronounced "dyes."

No faith

■ The wife of a City businessman was in Harrods' greeting card department the other day, asking for a Hannukah card. She was ever so politely told that Harrods did not stock cards specifically for ex-General Secretary Honecker.

Happy Christmas.

GREAT UNPRONOUNCEABLES OF OUR TIME



(Pop-o- catter-pettal. Aztec, Popoca, to smoke, tepetl, a mountain) is easily the most unpronounceable volcano. It rises in the form of a cone to a height of 17,720 feet above the sea-level and is composed chiefly of porphyritic obsidian. Although no eruption has been recorded since 1540, it still smokes. This hot, volatile, Mexican geological peculiarity has no connection whatsoever with the smooth, subtle and infinitely dependable qualities of Bunnahabhain *(Bu-na-ha-venn)* 12 year old single malt Scotch whisky.

Bunnahabhain is distilled on the Isle of Islay and the pleasures of drinking it are directly proportional to the difficulties of pronunciation.

Bunnahabhain
UNSPEAKABLY GOOD MALT

Available at Oddbins, Harrods and Selfridges and selected branches of Victoria Wine, Peter Dominic, Unwins and Augustus Barnett.

Questions over the City's future

David Lascelles reviews the debate over London's prospects as an international financial centre

When Deutsche Bank announced its £950m bid for Morgan Grenfell earlier this month, one of the principal reasons it gave was to plumb the well of financial expertise available in the City of London.

Mr Alfred Herrhausen, Deutsche bank's chairman who concluded the deal only three days before he was murdered by terrorists, said the acquisition "recognises the pre-eminence of the London marketplace" in many segments of the financial services market.

But Deutsche's move was particularly significant because it comes at a time when changes in the financial markets might challenge that supremacy. The growth of Japan as a financial power, the gradual deregulation of American banking, and the completion of a single market in Europe – could all these could drain business away from London?

In time-honoured British fashion, the answers to this questions is already being coloured by negative assumptions – that the UK can be counted on to squander yet another precious national asset. Mr Michael Heseltine, the former Tory minister, has issued a series of warnings that London will be one of the big victims of Mrs Thatcher's aloofness to European financial integration.

"The bankers and financiers of Europe's financial capitals know full well that the more detached Britain appears to be, the easier they will find it to detach our business," he told a London conference this month.

On the other hand, the Bank of England recently produced an analysis of London's position which concluded that while there was no reason for complacency, "London should be well placed to meet the competitive challenge."

Much of the City's attraction has rested on its hospitable regime: there are few legal barriers cramping banking activities, nor do banks have to put up costly reserves with the central bank, as they do in the US and Germany. These advantages have fostered the London-based Euromarkets, markets driven offshore by cost and regulation.

But with serious moves now afoot to liberate other markets, London's relative attractions could decline. The scrapping of interest rate controls in Japan, for example, is already making the domestic yen market more appealing, suggesting that the Euro-yen business may start migrating back home. The same is happening with the large Japanese equity warrant market. Several European centres, like Frankfurt, Paris, Amsterdam and Zurich, are also introducing changes to regulation and taxation which could lead to the repatriation of their Euro-currencies.

Mr Richard Dale, a professor at Southampton University who specialises in international financial regulation, says: "Everyone is now focusing on how to get business back to their centres. Governments are even willing to take revenue losses by cutting taxation to make the market more attractive."

A particularly powerful threat is the possibility that the US will remove the traditional barriers separating the banking and securities businesses, something which could happen in the next year or two. That would allow US banks to transfer back to New York the securities activities which they had to set up in London instead. Japan, which has a similar law, would be bound to follow suit.

Some people also see a

Moves to liberate other markets could reduce London's relative attraction

threat to London in the turmoil of recent years, the creation of far more capacity than the market needed, leading to redundancies, losses and much split blood. The recent local authority swaps scandal which promises to land many foreign banks with large losses was a notable faith-shaking event. "London has got to get away from the excesses of the 1980s," says Mr Stephen Lewis, a City economist. "It must be more realistic if it is to avoid a slow death."

These are alarming scenarios. But they are only hypotheses tinged by the pessimist view. It is possible to construct a more positive-looking case to show that London will not only hold its position but could actually strengthen it as a result of all the changes.

This case rests on the enormous lead which London already enjoys, and the tendency of the financial services business to congregate around the greatest pools of liquidity and expertise. Will business really desert London for the possibly less liquid markets in other centres, particularly if the professional back-up there is also weaker? Indeed, the removal of barriers could even encourage more business to flow into London, and new markets like the Ecu will open up fresh avenues.

Mr Walter Gubert, London-based managing director of J P Morgan's European advisory group, says: "The gap is shrinking, but London will retain its pre-eminent role." His own bank has no plans to repatriate business to New York.

And even if Japan and New York reinforce their international position, this need not undercut London because there will still be periods during the day when they are both closed. This will oblige foreign institutions to preserve operations in London to deal in the European time zone.

Aside from the size of its markets, one of the City's special strengths is that it is home to the international fund management industry, a business which is virtually non-existent in countries like Germany, which means that investment decisions continue to be made in London no matter where securities are actually traded. This in turn should ensure that London retains its role as a centre for financial expertise and market intelligence.

Mr Michel François-Poncet, the chairman of Paribas, one of France's leading investment banks, says: "Paris is strong insofar as financial instruments is concerned, but not people." Indeed, while Paris is emerging as London's strongest European competitor, many bankers there see it becoming the leading centre on the Continent, rather than in the European time zone as a whole.

"If we were to go into battle with London, I don't think we would win," says Mr Patrick Duverger, head of Société Générale's capital markets operations. "But we do have a chance to be first on the Continent. Germany has far to go, and Switzerland is a small market."

The success of a financial centre bears little relation to the economic might of the country where it is located. If that were so, the City would have yielded pride of European place to Frankfurt long ago. By the same token, it also implies that the growth of the Japanese financial institutions probably poses less of a threat than appears. Tokyo's share of the international banking market is now about the same as London's. But the Japanese banks are still expanding rapidly in the UK, adding substantially to London's assets.

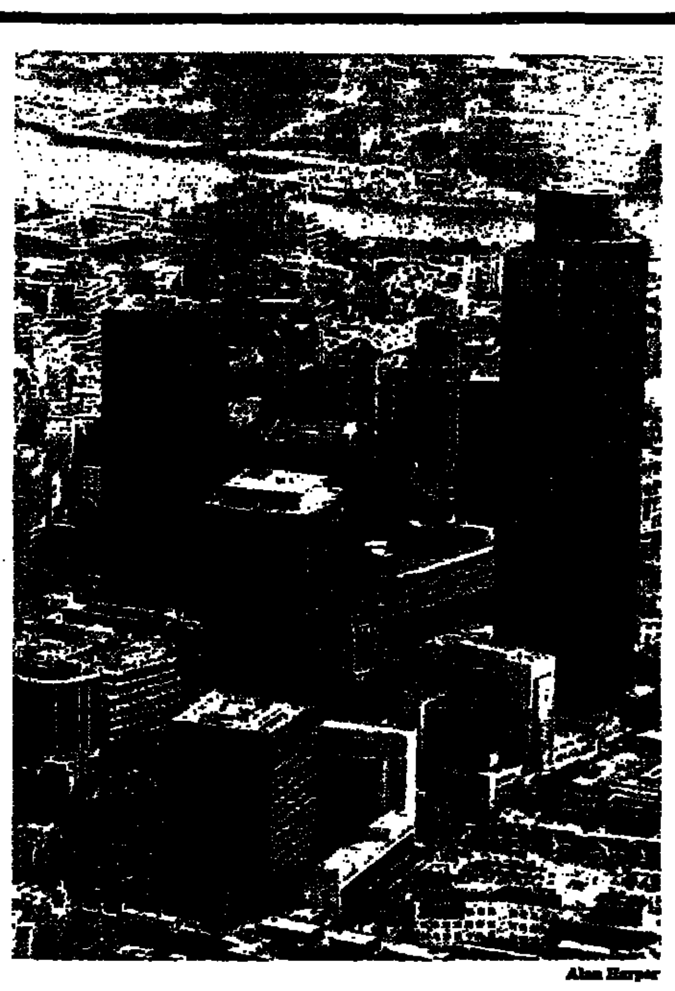
There are other considerations too. One is what the Bank of England has labelled the "sunk cost" – the huge sums that banks and securities firms have invested in their London operations which will make it much harder for them to move, even if they want to. There are also the cultural advantages, the use of English as the language of international finance, and the Anglo-Saxon style of doing business which dominates the financial world.

This style, characterised by an open, market-driven approach and an international view, contrasts with the more enclosed, bank-dominated style of Continental countries. It was singled out by Mr Herrhausen as another of the reasons for wanting to expand in London.

"The Anglo-Saxons are internationally minded," he said at the time of the Morgan deal. "In Germany people are not internationally minded. They have got to learn to be."

A harder case to answer is Mr Heseltine's argument about the threat to London from the present government's attitude towards the EC.

The question of where future monetary power will reside in Europe – symbolised by the debate over the location of an EC central bank – has raised anxieties in London, with visions of markets migrating en masse to cluster round the Bundesbank in Frankfurt.



Alan Harper

This ignores, however, the very small chance that the EC would agree to locate the headquarters of its central bank in a powerful centre. It is much more likely to opt for a compromise city, such as Amsterdam or Lyons. Its operating arm, meanwhile, would almost certainly have to be in London because that is where the money markets actually are.

While the whole debate about London's future is clearly exercising bankers' minds as they plan for the 1990s it does not seem to have greatly altered their views on where Europe's financial centre of gravity will lie. In a survey conducted by the Bank of England last summer, the majority of both UK and non-UK firms interviewed said they would continue to use London as their European base.

But if the threats to London are not as clear as the alarmists claim, they exist nonetheless, raising the question of what the UK can do about them.

The answer is probably very little, at least of a fundamental kind. Prof Dale argues that the moves towards common international regulatory regimes and taxation which are eroding London's advantages are factors largely beyond its control.

"The City was the beneficiary of others' regulation, and now it will suffer," he says, though he believes changes will only occur gradually.

At a more technical level there are plenty of things London can do to make itself more attractive, such as automating the stock exchange, strengthening the infrastructure of the money markets (something for which the Bank of England is pressing), simplifying regulation, and improving public services like transport. The exchanges are also demanding the removal of stamp duty on share transactions and changes to the tax treatment of futures and options.

But above that it is largely a matter of attitude. London has got where it is by identifying opportunities and building on them enormously successfully. "The greatest risk to London is complacency," says Morgan's Mr Gubert. "But I think people are aware of that now."

LOMBARD

The last moral frontier

By Michael Prowse

MOST OF US eat other animals without a second thought. On Christmas Day, the British will consume the carcasses of around 10m turkeys. Most of the birds will have been reared in unspeakable conditions. We will eat the turkeys, not to stay alive or even because we are particularly hungry, but simply because they taste nice. They will make a pleasant change from our staple diet of cows, pigs and sheep.

Our habit of slaughtering animals in their millions, despite the existence of numerous substitute and often more wholesome foods, is just one example of mankind's extraordinary disregard of the rights and feelings of other species. Most people see nothing amiss in the imprisonment of animals in zoos. Some of us have qualms about bloodsports, but few are prepared to demonstrate against such barbarities.

Worst of all, we uncritically accept an astonishing volume of scientific experimentation on animals, some of which is for testing inessential cosmetics and toiletries. In 1988, about 3.5m scientific procedures were started on animals in Britain alone. As Professor Peter Singer, the philosopher and animal liberation campaigner, recently pointed out*, at least 232,000 of these tests appear to have been carried to the point of death for some or all of the animals. Since most of the others will have been made extremely ill, the suffering inflicted must have been enormous. Substances were applied to the eye in 78,000 cases – and in all but 3,000 without the use of anaesthesia.

The abuse of animals presents mankind with its last great moral challenge. In the past, enlightened reformers have fought campaigns against the abuse of fellow human beings. Slavery, child labour, and discrimination on the basis of race, sex and religious conviction may still be practised in many parts of the world, but they have lost any semblance of intellectual respectability, at least in liberal democracies. But many otherwise compassionate human beings still have a blindspot over animals: they cannot see that our maltreatment of them betrays an unjustifiable bias towards our own species.

Suppose a super-intelligent species *were to arrive from* outer space. Could it justify the eating and torture of human beings on the grounds that such practices were either enjoyable or essential for their scientific research? We would surely say no, however far our intelligence fell short of theirs. We would say that we deserve to be treated with consideration because we are conscious creatures capable of experiencing pleasure and pain. We should apply the same reasoning to non-human animals on earth: the fact that their intelligence and forms of communication are rudimentary should not be allowed to justify thoughtless exploitation.

People sometimes say the treatment of animals cannot raise moral issues because they are not capable of rational discourse. This is a feeble, self-serving argument: the basis of morality is compassion, not logic. The proponents of such arguments would not use them to justify the eating of babies or mentally handicapped adults. The crucial issue is not whether a creature can defend itself linguistically, *but whether it is capable of* suffering. As Mr Singer says: "Pain and suffering are bad and should be prevented or minimised, irrespective of the race, sex or species of the being that suffers. How bad a pain is depends on how intense it is and how long it lasts, but pains of the same magnitude are equally bad regardless of species."

In fact, the gap between humans and the more advanced animals is much smaller than commonly assumed. As Mr Richard Ryder points out in Animal Revolution (Basil Blackwell, £17.50), we share 99 per cent of our genes with chimpanzees. That makes us closer to them than donkeys are to horses. Darwinism, he points out, has established the *physical* kinship of men and animals; the logical next step is to accept a *moral* kinship. Ponder that as you gorge on Christmas turkey.

**British Medical Journal, November 18, 1989.*

LETTERS

Another 'Tiananmen Square' in Romania

From Prince Paul of Romania.

Sir, I would like to express my grief and horror at the *atrocities committed in* Romania by a regime that has no respect for human life and basic human rights. As the grandson of King Carol and the nephew of King Michael, I felt it was my duty to write this letter.

It is very sad that we need a "Tiananmen Square" type massacre finally to persuade the world that we have a real problem on our hands. Everyone is shocked, yet we already knew the *terrible* conditions the Romanian people live in and what they have to endure. Many old people die of cold *when electricity* is cut at the height of winter. Basic food is in short supply even though Romania is the breadbasket of the Balkans. Local products are shipped abroad.

All this to uphold a regime that has no place in the new Europe for which we all wish and hope.

Do not let the world *forget the massacre*; only one man is responsible.

Paul,
Paris 7, France

Co-education and mathematics

From Mrs A.T.D. Macaire.

Sir, David Thomas's article on co-education (December 14) was well-balanced. I am, however, astonished that anyone should still think that girls' schools cannot compete with the science facilities at boys' public schools. Every woman engineer now in the Royal Navy was once a student at an independent or maintained girls-only school. It is an unusual year at Ashford school, where I am headmistress, that sees no engineering entrants to university. We are no exception in the Girls' Schools Association (GSA).

The day Mr Thomas's article was published accounts appeared in both the Times and the Daily Telegraph of a report by Her Majesty's Inspectors *on mathematics teaching*, which found that girls generally do worse in mathematics than boys "because they do not seek as much attention [as boys] and their teachers tend to ignore them." The report is based on a three-year study of maths lessons in 55 secondary schools.

This is not a problem in girls' schools, where mathematics is as common a choice as any other subject for A level (in 1989 only English was taken by more candidates in GSA schools). The sadness is that with the swing towards "co-education" in HMC schools more girls are likely to be denied the chance to compete on equal terms in such a basic subject.

Tatiana Macaire,
President,
Girls' Schools Association,
130 Regent Road,
Leicester

Falklands fish

From Mr T.J. Peck.

Sir, It is incorrect to say that UK taxpayers suffered losses of between £25m and £30m from financial blunders by a Falkland Islands fishing company as you reported on December 15. It is Falkland Islands taxpayers and not UK taxpayers who will be out of pocket.

Details are still *awaited from* the Falkland Islands Administration, but it is quite clear that Falklanders will take a substantial loss.

T.J. Peck,
Councillor,
Legislative Council of the Falkland Islands,
Stanley

Voting patterns

From Mr John C. Downes.

Sir, Winifred Ewing (*Letters, December 20) says that under* proportional representation the Scottish National Party would attract more votes than it did in the last European elections.

Is it not equally likely that once people realised that the SNP could actually be elected, they would stop voting for it?

Under the current system the luxury of voting for fringe parties can be indulged in without fear of consequences.

John C. Downes,
Burnham House,
Elm Bank,
Mapperley Park,
Nottingham

Putting broadcasting to rights

From Professor A.S.C. Ehrenberg.

Sir, Your editorial on December 14 was highly critical of the Broadcasting Bill, and rightly so. But you repeated three mistakes which will help Mr Mellor and the Government maintain their unfortunate position:

1) Under the "comfortable duopoly" there have been few incentives for efficiency. In fact, there were plenty. Any savings could have been used for better programmes, to pay people more, to make bigger profits, to *reduce the licence* fee, to score points with Mrs Thatcher, and so on. What more motivation does anyone want?

Efficiency is a question of managerial will and competence. Thus ITV's management has in the past thought, rightly or wrongly, that it was more efficient to give in to the unions than to go off the air and lose advertising revenue. By the same token, and despite being more competitive than any other industry, the three US networks suffered for years from the same kinds of overmanning and first-class-travel-for-the-undeserving as here – until new management came along (Tish, Capital Cities, and GE).

2) The BBC and Channel 4 will go on providing quality broadcasting. So why do Channel 3 (née ITV) and the doubtful Channel 5 have to bother? This is like saying that one Shakespeare play and one soap opera are enough. But we want choice – even the Government has said so. This is needed especially for the less popular programmes (those with 1m or 2m viewers) where people's tastes and preferences differ most. But innovation and risk-taking here will be squeezed out by the Bill.

3) So far there is no broadcasting market responsive to individual preferences. This is economists' tosh. It is true that *viewers pay for ITV and Channel* 4 only by a small hidden sales tax on all advertised goods and services, irrespective of what programmes they watch. But dare I say that money is not always everything? In practice, viewers can and do choose which programmes they want to watch. This is measured every minute of every day. More is known about consumer response in this market than in any other. It is a pity that neither the Peacock Committee nor the Government have ever understood the market.

So if, as you suggest, we must have tendering for franchises, let the winner be whoever offers to put most money into the programming.

Andrew Ehrenberg,
Professor of Marketing and Communication,
London Business School,
Sussex Place, NW1

Press Council

From Mr Paul Lamplugh.

Sir, Observer (December 11) refers to the Press Council decision on the complaint lodged by my wife and I about an inaccurate and misleading article in The Guardian last year.

It is important that there be *no more questions about* the destination of royalties from the book The Suzy Lamplugh Story. One of the principal reasons for publishing the book was to raise money for The Suzy Lamplugh Trust. As the Press Council emphasised in its news release, the royalties were payable to us for the benefit of the Trust. The money went directly to the Trust and was allocated to that part of its work which is concerned with missing people.

It was most regrettable and distressing that the process of the complaint took so long. The Press Council should have made it clear from the beginning that it could not in any event consider the merits of our complaint, on the principle that feature articles by outside journalists are not within the normal concern of a newspaper editor.

It is, however, in none of our interests to look backwards. We need to be constructive for the benefit of those who find themselves in our position in the future.

The Press Council has recently issued a proposed code of practice for the press. In our view the code does not include sufficient emphasis on the Council's own procedures and the need for an effective structure of complaint and review. We are now working with others for this reform.

Paul Lamplugh,
14 East Sheen Avenue, SW14

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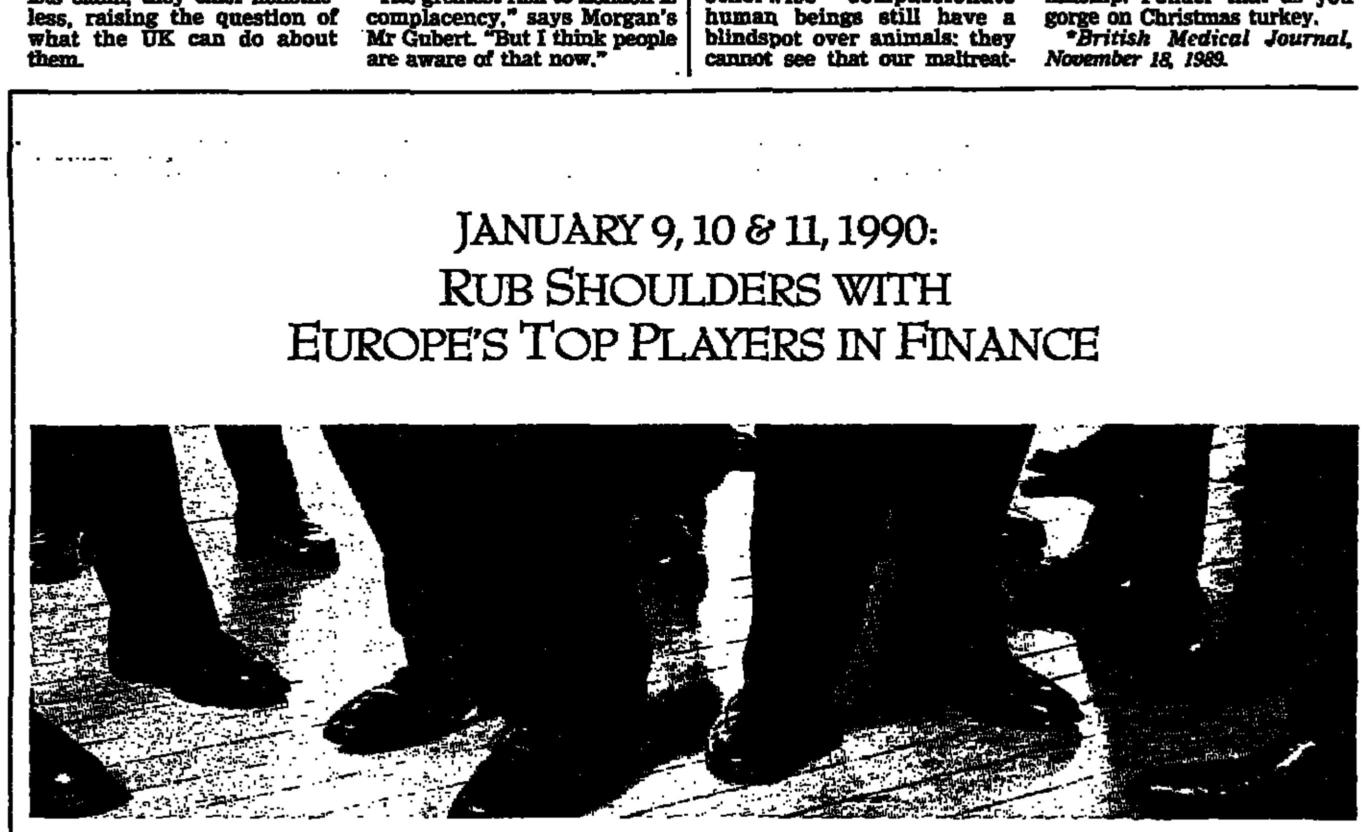

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Army holds key to Ceausescu's survival

Judy Dempsey assesses the chances of people power winning the day in Romania

THE CHANCES of Mr Nicolae Ceausescu, Romania's hardline President and Communist Party leader, surviving the massive wave of anti-government demonstrations depend now on one crucial question: will the army go over to the side of the people?

Already two separate reports have described the army breaking ranks and clashing with security forces controlled by the Interior Ministry.

The first came from Budapest, where yesterday Mr Gyula Horn, the Hungarian Foreign Minister told a news conference that "there have been clashes – even if they have not been large ones – between the security forces and certain units, officers, enlisted men, of the army."

Mr Horn did not go into detail but added: "This is my reliable information."

The second report was from East European and Soviet correspondents based in Bucharest who yesterday reported that tanks had moved into the capital and were reported to have opened fire on the Securitate, the all-powerful security apparatus.

Earlier in the week, unconfirmed reports said the mayor of Timisoara, the city where the first demonstrations took place last Sunday morning, had appealed to the army not to fight against the people. The witnesses reported that the tanks retreated, decked with white flags.

If these reports are true, then Mr Ceausescu and his family can only rely on the Securitate.

Last line of defence: Romanian troops have twice been reported breaking ranks

The Romanian army has 171,000 men of whom 107,500 are conscripts and 203,000 reserves, ostensibly under the control of Mr Ilie Ceausescu, the President's brother.

One of his tasks over the years has been to ensure the loyalty of the army. He has done this through intense political indoctrination, particularly for the officer corps.

But it is a political indoctrination which, despite Romania's membership of the Warsaw Pact, has not been influenced or taught by Soviet advisers.

In the past, Soviet military advisers have played a key ideological role in all the Warsaw Pact countries; whereby the Soviet, Polish, Hungarian, East German, Czechoslovak and Bulgarian armies consider, as an ideological priority, the defence of the Warsaw Pact countries and the socialist community, over national interests.

But in the case of Romania, the officer corps have been taught to defend the country first.

This different political culture of the army is linked to Mr Ceausescu's use over the years of nationalist interests to consolidate his power base at home and minimise the ideological influences from the Warsaw Pact.

The Ministry of Defence was given a free hand to pursue such a doctrine. The task was made easier because, with the exception of Bulgarian troops, no Warsaw Pact soldiers have been stationed in Romania since 1958.

In addition, after Mr Ceausescu became leader of the Romanian Communist Party he sought to consolidate his rule and win popular support by pursuing a "nationalist road to socialism" as a means of diluting Soviet influence.

Thus, when Soviet-led Warsaw Pact troops invaded Czechoslovakia in August 1968, Romania was the only Warsaw Pact country to condemn the action. This undoubtedly boosted his popularity.

But by exploiting anti-Russian sentiments which, in any case, were never far from the surface among Romanians, Mr Ceausescu went on to expel all Soviet military and party advisers in the early 1970s, as well as banning all Warsaw Pact manoeuvres from Romanian territory.

The result is that the army, unlike that of Bulgaria, whose support was a crucial factor in ousting Mr Todor Zhivkov, the party leader, has apparently no direct links with the Soviet Union.

East European military attachés in Budapest say that if the Romanian army was to crack, it would require sections of the officer corps and the lower ranks to do so.

What might make them crack is not only fear and horror of young conscripts being ordered to shoot their own people, but the fact that the population could well turn against them if the Ceausescu leadership collapsed.

OECD sees slowdown in economic growth

By Peter Norman, Economics Correspondent, in London

ECONOMIC growth in the industrialised world is forecast to continue for the eighth straight year in 1990, according to the Organisation for Economic Co-operation and Development.

In its latest half-yearly Economic Outlook, the Paris-based think tank forecast that growth in its 24 member nations would slow to an average 2.9 per cent next year and in 1991 from 3.6 per cent in 1989 with inflation edging down to 4.3 per cent in 1991 from 4.5 per cent next year.

The OECD said that the recent dramatic political changes in Eastern Europe had created possibilities for economic reform and co-operation.

"The challenge here is daunting, but the potential benefits are far-reaching both for the countries concerned and for the world economy," it said.

The report also highlighted a remarkable change of rankings among the "surplus" countries. West Germany is set narrowly to displace Japan as the nation with the largest current account balance of payments surplus this year. Assuming unchanged policies and exchange rates, the OECD expects the German current account surplus will rise to $75.7bn in 1991 from $60.9bn this year while Japan's surplus will increase to $68.6bn from $60.8bn.

While the OECD painted a generally optimistic picture of global economic developments, its forecast for the British economy was gloomy.

It warned that a further tightening of credit conditions in Britain could tip an already slowing economy into recession and add to wage pressures through higher mortgage rates.

Britain, with rising unemployment and growth rates of 1.3 per cent and 1.9 per cent in 1990 and 1991 respectively, would experience the slowest growth of the world's seven leading industrial nations over the next two years.

The OECD, which ranks Britain sixth among the G7 countries after the US, Japan, West Germany, France and Italy but ahead of Canada, said the UK had already fallen to the bottom of the G7 growth league in 1989.

The OECD forecast a far slower recovery in the current account deficit than the British Government. Whereas the Government's Autumn Statement projected a drop in the deficit to £15bn ($24bn) next year from £20bn now, the OECD suggests the deficit will decline gradually to £19bn in 1990 and £16.5bn in 1991.

It said the unemployment rate is forecast to edge upwards to 7 per cent by the end of 1991 from 6.3 per cent in the current half year with unit labour costs rising faster than in any other G7 country.

OECD outlook, Page 5

Brussels to investigate airlines pact

By Paul Betts, Aerospace Correspondent, in London

THE TRIPARTITE shareholding and co-operation agreement between British Airways, KLM Royal Dutch Airlines and Sabena of Belgium is turning into a test case of the European Commission's approach to liberalisation and competition in the European airline industry.

A senior EC official said in Brussels yesterday: "This is clearly a major case and we intend to devote considerable resources to study all its implications."

The Commission is coming under pressure from smaller UK airlines to block or at least amend the terms of the deal between BA, KLM and Sabena.

Mr Michael Bishop, chairman of British Midland, confirmed that he had made an initial verbal submission to the Commission in Brussels yesterday and that his group would make a formal written submission against the deal early next month.

Mr Harry Goodman's International Leisure Group, which owns Air Europe, also confirmed yesterday it would make a formal submission to the EC against the deal next month.

Mr Robert Smart, an ILG director, said his group had also filed a submission against the recent co-operation pact between Air France and Lufthansa. He said Air Europe was worried about the anti-competitive effects of these co-operation pacts between large airlines in Europe.

British Midland and Air Europe see these moves as a series of "non-aggression pacts" by leading European airlines to protect their market positions before the advent of greater liberalisation in European air transport after 1992.

BA announced last week it was acquiring a 20 per cent stake for £34m ($54.4m) in a joint venture called Sabena World Airlines with KLM, which is investing in a similar 20 per cent stake in the Belgian airline. Sabena will control 60 per cent of the venture which plans to develop Brussels as a European hub.

After his talks in Brussels, Mr Bishop said he was "extremely concerned" by the tripartite deal because it embraced the dominant airlines in three adjacent countries.

China to lift curbs on foreign investors

By Our Foreign Staff

CHINA is to amend its joint venture law by giving foreigners guarantees against confiscation of their investments and the right to choose the company chairman, as well as ending restrictions on the length of time the projects may operate in China.

This move is apparently designed to boost interest among foreign businessmen who have been reluctant to set up joint projects in China since the massacre of demonstrators in Peking last June. As a result, foreign investment has fallen sharply in the past six months.

The People's Daily, Peking's official newspaper, said yesterday that the National People's Congress, the country's rubber-stamp parliament, was working on these changes in the law.

The paper quoted Zheng Tuobin, Minister of Foreign Economic Relations and Trade, as saying "The government will not nationalise or confiscate joint ventures." The draft revision of the law, expected to be adopted at the NPC's session in 1990, would however allow confiscation under special circumstances but with "appropriate compensation."

"This is a very welcome step," said a foreign businessman in Peking. "But it obviously does not remove all of our concerns."

This more sympathetic attitude to the needs of foreign businessmen emerges as Western countries soften their economic sanctions to China imposed in June. Yesterday a Chinese Foreign Ministry spokesman said that President George Bush's decison to allow it to go ahead with the launch of three US-built satellites, plus the decision to allow the resumption of Eximbank credits, was helpful to restoring strained Sino-US relations.

At the same time, bankers in Tokyo confirmed that the World Bank was likely to resume lending to China early next year. Japanese banks said earlier this week that they were prepared to extend a $2bn credit line to China that was arranged in 1985, if it was formally requested by the Bank of China.

China's existing equity joint venture law, passed in 1979 as the programme of economic reforms was starting, declared that the state would protect joint ventures but did not specifically rule out nationalisation. Wholly-owned foreign companies – a type of investment China is eager to encourage – have obtained guarantees against nationalisation under Chinese law, and a bilateral treaty with Japan has extended protection to Japanese investors.

Since June, when Peking called in the army to crush the democracy protests and Zhao Ziyang, the pro-reform Party General Secretary, was dismissed, Peking has tried to freeze the economic reform and increasingly given prominence to ideology, the role of the Party and Maoist-style education through physical labour training.

At the same time the economic centralisation policy, launched in autumn 1988 to control inflation, has increasingly begun to look like a move to the 1950s-type central planning beloved of China's political hard-liners.

Morgan Grenfell in Soviet finance deal

By Peter Montagnon, World Trade Editor, in London

MORGAN Grenfell, the UK merchant bank, and Moscow Narodny Bank have arranged a DM410m ($235m) financing for a joint venture between the privately-owned Pressindustria of Italy and the Soviet Union to build a butyl rubber plant at Tobolsk, about 2,000km east of Moscow.

The financing, believed to be the largest for an onshore joint venture in the Soviet Union, has been arranged without any Western export credit agency guarantee.

With the additional help of San Paolo Bank, investment arm of the Turin-based institution, as arranger, it was syndicated successfully despite growing worries about the Soviet Union. San Paolo Bank also acted as arranger for the syndication.

Bankers said this suggested that Western financial institutions were also beginning to assess projects in the Soviet Union more directly on their individual commercial risk rather than under any broad sovereign credit yardstick. The credit also marks a further step away from the old system of centralised Soviet guarantees on foreign borrowing.

The Bank for Foreign Economic Affairs (BFEA), which is still actively involved in supervising Soviet foreign borrowing, is offering only partial backing for the deal.

The Soviet Chemical and Oil Industry Ministry, which is responsible for the Soviet side of the venture, is also to offer some security.

The funds will be used to pay for the supply of capital equipment to the plant under a contract co-ordinated by Pressindustria and for which Technint of Italy is to be an important sub-contractor.

Lending banks will be repaid out of the sale of butyl rubber on Western markets. About one third of the plant's DM360m equivalent turnover will be earned through such sales to the West. Butyl rubber is used for vehicle tyres and inner tubes.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	F	16	61	Malta	S	17	63	Rhodes	S	18	64
Algiers	S	25	77	Edinburgh	C	8	46	Manchester	F	9	48	Rio de J'o	C	25	77
Amsterdam	F	13	55	Faro	F	19	66	Manila	C	30	86	Rome	F	16	61
Athens	S	17	63	Florence	F	16	61	Melbourne	F	18	64	Salzburg	F	13	55
Bahrain	S	18	64	Frankfurt	C	14	57	Mexico City	C	23	73	San Francisco	S	7	45
Bangkok	F	32	90	Funchal	S	21	70	Miami	S	19	66	Seoul	C	3	37
Barcelona	S	17	63	Geneva	C	12	54	Milan	C	8	46	Singapore	F	30	86
Beirut	-	-	-	Gibraltar	F	16	61	Montreal	S	-19	-2	Stockholm	R	2	36
Belfast	F	8	46	Glasgow	C	9	48	Moscow	C	0	32	Strasbourg	C	15	59
Belgrade	S	16	61	Guernsey	F	13	55	Munich	F	14	57	Sydney	C	19	66
Berlin	S	14	57	Helsinki	S	-1	30	Nairobi	F	27	81	Taipei	F	21	70
Biarritz	R	17	63	H. Kong	S	21	70	Naples	F	15	59	Tangier	S	23	73
Bombay	S	30	86	Innsbruck	S	9	48	Nassau	F	29	84	Tel Aviv	F	18	64
Bordeaux	C	15	59	Inverness	F	3	37	New Delhi	C	16	61	Tenerife	F	24	75
Brussels	S	14	57	Islamabad	F	16	61	New York	Sn	-8	18	Tokyo	S	11	52
Budapest	S	10	50	Istanbul	F	12	54	Nice	F	15	59	Toronto	S	-13	9
B. Aires	F	29	84	Jakarta	R	32	90	Nicosia	S	18	64	Tunis	S	20	68
Cairo	S	21	70	Jersey	F	13	55	Oporto	R	16	61	Valencia	S	20	68
Cape Town	F	22	72	Jo'burg	S	28	82	Oslo	Sn	-1	30	Venice	C	10	50
Caracas	C	26	79	Lima	F	24	75	Paris	F	14	57	Vienna	F	8	46
Casablanca	S	24	75	Lisbon	R	15	59	Peking	Sn	-3	27	Warsaw	S	12	54
Chicago	S	-24	-11	London	F	14	57	Prague	F	12	54	Washington	F	-7	19
Cologne	S	15	59	Los Angeles	S	9	48	Reykjavik	C	-4	25	Zurich	C	10	50
Copenhagen	C	10	50	Luxembourg	C	12	54								
Corfu	F	16	61	Madrid	C	11	52								
Dallas	S	-4	25	Majorca	C	17	63								
Dublin	F	9	48	Malaga	S	18	64								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US fails to assert control in Panama

Continued from Page 1

utes ago, we had one of our cars stolen two blocks away by a group of them," he said. "At the moment we simply do not know who is control."

Speaking from the Jesuit noviciate on the outskirts of the city, Fr Sanchez, who has been maintaining regular contact with friends and other priests around the city, reported continuing "sporadic gunfire" and "military planes flying high over the city."

Monsignor Joseph Spiteri, secretary to the Papal Nuncio in Panama, reported there had been "many deaths."

He said the situation in the capital would be calm by now if it were not for the continuing activies of "paramilitary forces" loyal to Gen Noriega.

A European diplomat, who asked not to be identified, said that official statistics may have seriously underestimated the number of people killed or wounded as a result of the intervention.

He said the heaviest civilian toll so far has been in a poor quarter next to the HQ of the Panamanian Defence Forces.

Some priests contacted by telephone put the number of civilian casualties at between 1,000 and 2,000.

There are persistent rumours that Gen Noriega had escaped into the interior to a special barracks for Panamanian troops trained in jungle warfare in the province of Bocas del Torro.

There were conflicting reports yesterday on the number of US citizens being detained. Lieut-Gen Tom Kelly, the director of operations for the US joint chiefs of staff, said there were reports of between 20 and 40 Americans being held against their will.

THE LEX COLUMN

Peking makes the connection

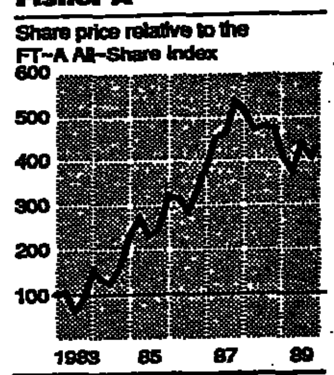
From this distance, it is not wholly clear how Peking will scrape together $500m of hard capitalist cash to pay for perhaps 15 per cent of Hong Kong's telephone monopoly. But such minor details can hardly be expected to worry the London equity market as it hunts for fresh pretexts to buy Cable and Wireless, Hongkong Telecom's parent. The first question is whether the 29p run-up in C&W's share price yesterday will fizzle out like the similar leap inspired by its part in the Mannesmann German cellular telephone consortium. The broader issue is whether Peking's move, by far the largest deal so far undertaken by Citic, its Hong Kong investment company, tells investors something reassuring about 1997.

Wisely, C&W managers fresh off the plane last night were careful to stress that the deal is not all done yet. But neither could they conceal their pleasure about it. Fears of a C&W rights issue have been overdone, but the steep increase in its net borrowings, from £450m in autumn 1988 to £596m three months ago, was a reminder of the volume of capital investment required by Mercury.

Assuming Citic's shares come straight from C&W, the money could virtually clear its balance sheet of debt, while the possible reduction in its Hong Kong exposure dispels some of the political risk. The quibble is that C&W is recycling cash from highly profitable Hongkong Telecom into its unproven UK telecommunications business. But this far down the road with spending on Mercury, that point is in a sense rather academic.

Fisher A

Share price relative to the FT-A All-Share Index



Albert Fisher

There will probably be a few eager phone calls to the Corporate Partners' offices today. UK company directors are frequently denouncing the short-termism of the City; what they claim they want are supportive, substantial investors who are in for the long term. That seems to be what Albert Fisher has got with yesterday's deal. Corporate Partners has tied itself down as a 20-30 per cent stakeholder for between three and ten years and will have two directors on the board.

The deal appears to be the first of its kind in the UK, but homegrown fund managers may not be inspired into following suit. Corporate Partners has the luxury of having already raised its capital, leaving it immune from three month performance tables. And the main lesson for institutions in yesterday's deal could be that the death of the rights issue has been exaggerated; £500m has been called for this week already.

Albert Fisher is the classic example of a small company transformed by a businessman determined to exploit the main advantage of a stock market listing, the ability to issue equity and make acquisitions. Yesterday's rights was the fifth since Mr Millar moved into the company in 1982, and the number of shares in issue has increased 171-fold since that date. The seam had been mined so often that the shares badly underperformed after Black Monday. Doubtless one of the principal attractions to Corporate Partners is that it is buying in to a geographically diversified food distribution company on a prospective p/e of 9.5, compared with the multiple of 22 Fisher commanded before the Crash.

BET

BET's formal offer for Hestair is the kind of inoffensive document to be expected in a white knight bid. Perhaps because of that, it makes no attempt to address the question of why BET's shares have been treated so roughly since the deal was announced a week ago. Even BET's critics do not expect the bid to involve material earnings dilution. But the 7 per cent fall in the BET share price knocks £140m off its market value, which for a bid worth only £192m implies a fairly pessimistic view of the outcome.

The market's worries are understandable. Hestair's rivals, such as Blue Arrow or indeed Adia, concentrate on recruitment and little else. It is natural to deduce that BET is trying to graft on yet another leg. It is also assumed, given its stated aim of being a market leader wherever it operates, that it will not settle for the fifth and seventh positions which it claims Hestair will give it in the UK and US markets respectively.

BET's defenders argue that this misunderstands the company's whole philosophy. It already supplies its clients with plumbers, cleaners, telephonists, security guards and so forth. Through Hestair, it will be able to provide computer, secretarial and nursing staff as well. Even if this does not allow cross-referral – a term which the market has learnt to suspect since the great days of Saatchi – the price being paid for Hestair is little higher than BET's own multiple.

Even if an auction develops with Adia, as seems not impossible, the extra cost would be slight for BET as a whole. But in a quite different sense, the market may be right to be wary. Over the past year, BET's shares have underperformed the market by 10 per cent. But this is familiar: they have also underperformed by 17 per cent over the past five years,and by 11 per cent over the decade.

Myson

It always pays to read the small print. The obvious thing to say about the MMC's clearance of both rival bids for Myson is that Blue Circle, with 29.5 per cent of Myson's shares, should win hands down over the much smaller Yale & Valor if it chooses to proceed. A more interesting point is the MMC's passing observation that the UK's domestic gas boiler market, which went nowhere in 1988, will contract in the early 1990s. Hence a renewed question over Blue Circle's wisdom in bidding for Myson's part of it and about the price.

Whatever the prospects for synergy and so forth, it is hard to see that after a base rate rise a home products company like Myson is still worth the 240p or 18 times historic earnings which Blue Circle bid in August. Shares in the respected Hepworth, which operates in much the same areas, are trading on only 7.6 times this year's earnings. Given that it has already committed itself to diversification in central heating via Birmid Qualcast, Blue Circle looks likely to press on; but it might have been better off buying more aggregates instead, on either side of the Atlantic.

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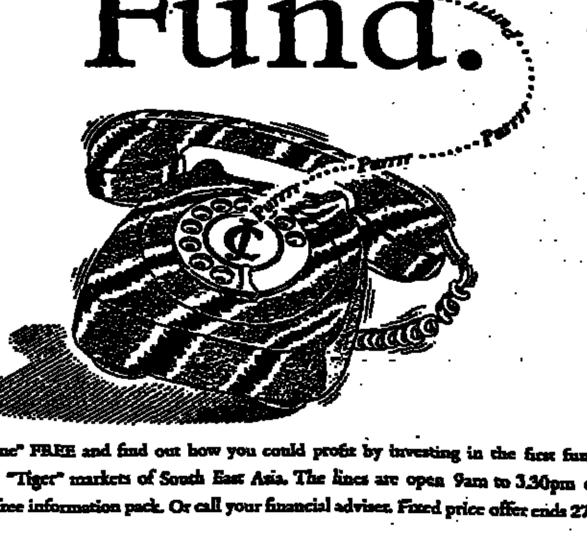
James Capel
Tiger Index
Fund.



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COMPANIES & MARKETS
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WIPAC
Seasons Greetings

INSIDE

How Saab became forever smitten

Georg Karnsund's sense of relief was obvious. And the Saab-Scania chief executive's voice was heavily laced with triumph as he sprung General Motors on an astonished world as the surprise partner for his group's ailing car business. In Turin, Fiat had been convinced that it had a deal with Saab sewn up. In Stockholm; the local press speculated about Volvo and Mercedes-Benz. But no one breathed a word about GM. FT writers consider the implications of what turned out to be the best-kept business secret of the year. Page 18

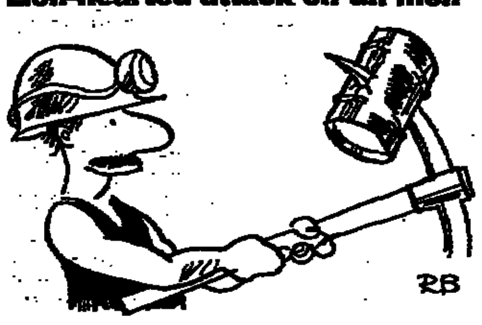
No gain without pain

Volatility, with its attendant pain and pleasure, has been a characteristic of West German stock markets in 1989 — a year that brought stronger than expected economic growth, big rises in company profits, a mini-crash in October and, finally and most dramatically, the rapprochement of the two Germanys. Andrew Fisher looks back on the year, which overall saw the Frankfurt market rise by about 25 per cent. Page 34

March of technology

Technology has crept to the very edge of most of the world's physical markets and is now eroding the futures industry's long-preserved but anachronistic way of trading by open outcry. Many critics of electronic trading fear that the deserted trading floor that followed the introduction of computerised trading at the time of Big Bang will be repeated at those exchanges toying with the idea of screen trading. But the signs are that the next decade will see a great increase in the use of electronic trading. Page 19

Lion-hearted attack on tin men



They beaver away deep in Amazonia. Brazilian prospectors are working new deposits of tin ore which could be as rich as other mines in the region — mines that, in less than a decade, have transformed Brazil into the world's largest tin producer. Understandably, executives at mining companies do not share their enthusiasm. Neither do environmentalists, horrified by the prospectors' ruthless advance across Yanomami Indian territory. Now the government is mobilising to remove the prospectors from the northernmost Brazilian state of Roraima, writes John Barham. Page 30

Out of the shadows

The stock market crash of 1987 brought settlement out of the back office and into the boardroom. It has been there ever since. Threatened by systemic failure; banks and securities houses suddenly realised the settlement disaster they had been courting in the heady days of the bull market. As a result, the 1990s will see concerted efforts to ensure that settlement risks on cross-border trades are largely eliminated. Success may be partial, but few involved in the planning have real doubts about their ability to improve the chronic 1980s experience. Andrew Freeman reports. Page 19

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Daimler	724	+	10.2
Deckel (Fr)	258	+	10
Porsche	855	+	28
Veba	380.5	+	15.5
Falls			
Allianz	403	−	10
Hugo Boss	1520	−	70
NEW YORK ($)			
Rises			
Boeing	58⅞	+	1⅝
Disney (Walt)	113¾	+	1⅜
Gen Electric	62⅞	+	1
Raytheon	67⅞	+	1⅜
Falls			
Caterpillar	57⅝	−	1⅞
Comm Edison	38⅞	−	1⅜
New York prices at 12.30.			
LONDON (Pence)			
Rises			
Brit Aerospace	565	+	13
Cable & Wire	548	+	29
Consd	155	+	15
Courtlds	283	+	13
Eurotunnel Uts	586	+	25
Lonrho	302	+	6
Myson	224	+	23
Wimbln Wr pp	163	+	5

PARIS (FFr)			
Rises			
CSEE	385	+	22.8
Elf Gabon	1050	+	83.4
SGE	347	+	20.6
UCB	245	+	28.7
Falls			
Lab Bellon	2524	−	73.7
SAT	1810	−	52.3
TOKYO (Yen)			
Rises			
Nippon Oil & Fat	1070	+	105
Miyaji Kosan	1780	+	130
Nihon Seikan	1410	+	200
Falls			
Kasei	1580	−	120
Matsuya	2200	−	140
Shikoku Kako	1530	−	110
Redland Env	388	+	13
Falls			
Cadbury Schw	338	−	5
Carlton Comm	829	−	16
Glaxo	770	−	15
ICI	1097	−	29
Wiggins Grp	66	−	7

ICI returns to US explosives in $193m deal

By **Peter Marsh** in London

IMPERIAL Chemical Industries, one of the world's top five suppliers of commercial explosives, has moved into the US with an agreement to buy Atlas Powder, a large US explosives maker, for $193m.

The deal, announced yesterday, ends 17 years of efforts by ICI, Britain's biggest chemicals company, to gain a foothold in explosives in the US. It is also a chance for ICI to renew its acquaintance with Atlas Powder, which for a few months in 1972-73 was part of the UK company.

ICI was forced by the Federal Trade Commission to sell Atlas because of a fear in Washington that the UK group, which has a leading position in the Canadian explosives business, might have too strong a hold on the North American market.

It is buying Atlas from Tyler Corporation, an industrial products company which took over Atlas in 1973 after ICI was forced to sell.

Last year Atlas, which is among the top five US-based explosives makers, had sales of $180m and an operating profit of $16m. It employs 1,500 people in 14 distribution companies in the US and two manufacturing sites at Joplin, Missouri, and Tamaqua, Pennsylvania.

Yesterday's deal comes as ICI's UK-based explosives business faces six charges brought by the Health and Safety Executive over alleged shortcomings in its handling of the transport of explosives.

The charges, which could lead to heavy fines for the company, are related to an accident in March when an ICI van carrying the products blew up in Peterborough, killing a fireman.

The accord with Tyler is subject to approval from US regulatory authorities, but ICI does not expect problems in gaining political approval.

Competition in the US commercial explosives business, which is worth an estimated 25 per cent of the $4bn world market, is very tight, with many new entrants. Several leading US explosives makers – including Du Pont, the biggest US chemicals group – have left the business in recent years.

ICI, which runs its explosives business from Toronto, last year had sales in this area of $655m and trading profits of $85m. Other top groups in civil explosives include Norsk Hydro of Norway, Veba of West Germany, ETI of Canada and Spain's ERT.

Caterpillar warns on fourth quarter

By **Roderick Oram** in New York

CATERPILLAR, the world's largest maker of earthmoving equipment, warned yesterday that its fourth quarter net income was unlikely to match the third quarter's because sales were weaker and costs higher than it had expected.

In its third quarter report in mid-October it said earnings would be "somewhat higher." Analysts had been forecasting profits would grow by about 30 per cent to around $1.30 or $1.40 a share in the fourth quarter, from $1.07 in the third.

The company's announcement knocked its shares down by $2½ to $57 on heavy volume.

Caterpillar, profits of which have been sliding steadily from the $1.87 a share it registered in the third quarter of last year, said its sales and earnings would "continue to be under pressure" most of next year.

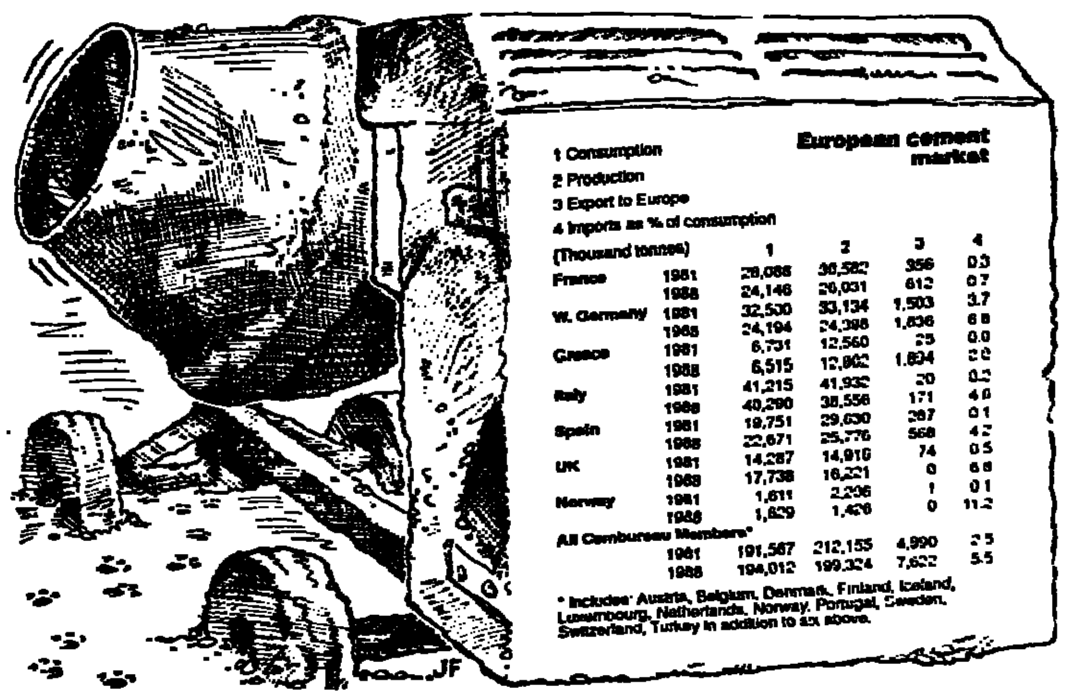
The company said it would make a fuller 1990 forecast when it releases its year-end results on January 18.

The weakness in its business was evident in the third quarter when domestic sales fell 11 per cent from a year earlier. Soft construction activity was only partially offset by a pick up in orders from forestry and mining sectors.

Sales outside the US slipped by 1 per cent, although adjusted for the number of selling days in each period dealer turnover rose.

Japanese sales were particularly brisk, thanks to a booming economy in that country and a large number of major construction projects.

Caterpillar's profits are also under pressure because it is continuing to spend heavily on developing new products and modernising its plants.



Breaking up what was set in concrete

Charles Leadbeater on the changing face of Europe's cement industry

Cement is renowned for its bonding properties. So are the companies which make it.

Tales abound about the cartels which allegedly rule the industry. Set against their power, the recent deal between English China Clays, the minerals and construction group, and Titan, the Greek cement manufacturer, to form a joint venture to import about 200,000 tonnes a year into the UK may seem insignificant.

But it is the clearest evidence yet of two forces which could bring sweeping changes to the structure of the British and European cement and concrete industries.

The growing internationalisation of the industry within Europe is forcing open alleged horizontal price-fixing arrangements between cement manufacturers.

If those arrangements collapse, manufacturers may start searching for other ways to protect their market share through vertical integration. Cement users may move downstream to ensure they have secure long-term supplies in an increasingly competitive market.

The British industry which is anomalous for its lack of vertical integration will be more affected than others by a wider European restructuring of the industry.

In some ways the ECC deal is a special case, the product of its relationship with Blue Circle Industries, the main UK cement manufacturer.

Blue Circle used to provide ECC with all its cement, which went to make 3m tonnes of concrete products, mainly kerbing, paving and reconstructed stone. But last year Blue Circle put up its cement prices by 22 per cent, which increased ECC's costs by £2m.

The joint venture with Titan is the product of ECC's search for an alternative supplier.

Each will invest £3m in import facilities at Hull to bring in 200,000 tonnes of cement a year from next spring. Prices will be pegged to the international market.

Yet many in the industry regard it as an indication that much more far-reaching changes are in prospect.

The main force driving the industry towards this restructuring is the development of a more open European cement market.

European producers have been forced to seek new markets at home, as their traditional export markets in the Middle East and Africa have declined.

About 4.9m tonnes of the 212m tonnes of cement produced in Europe in 1981 were exported to other European countries. In 1988 production was 199m tonnes, with 7.6m exported within Europe.

Imports into Europe have increased more strongly, making up 5.5 per cent of consumption compared with 2.5 per cent in 1981. UK imports have risen particularly strongly, from 0.5 per cent of consumption in 1981 to about 7 per cent in 1987.

Nevertheless, most markets are still overwhelmingly dominated by domestic production. Manufacturers argue that this reflects the inherent difficulties in transporting a bulky, low-value product which needs to be kept dry.

Yet the evidence from the US suggests there may be considerable room for more international trade, especially over long distances.

It costs about $9 a tonne to ship cement from South Korea to Los Angeles, the same as it costs to bring a tonne from a production site outside the city to a downtown construction site.

US imports of both cement and clinker, semi-finished cement, rose from 2.6m tonnes in 1982 to 15.8m in 1988. Imports from European countries grew from 396,770 tonnes in 1982 to more than 5m tonnes in 1987.

Several pressures will promote more trade within Europe. A wide-ranging European Commission inquiry, not expected to end before next year, is almost certain to open the European market further.

Developing ties with the east European economies are likely to promote exports from East Germany, which sent 150,000 tonnes to the UK last year, and Poland, which exported 225,000 to Britain.

Mr Stan Dennision, ECC's chairman, predicts: "It is difficult to see how manufacturers will be able to maintain their grip on large shares of national markets when customers will be scouring international markets to buy supplies."

The obstacles in the way of winning planning permission to exploit cement reserves means there is a long-term constraint on the expansion of UK supplies.

The manufacturers have recognised the significance of the international market by investing in import facilities. Rugby has spent £11m on docks at Dagenham in east London and Newport in south Wales in the last two years and Blue Circle, a similar amount at ports at Northfleet on the Thames and Southampton.

The threat of cheap Greek imports broke up the long standing common pricing arrangement in the industry almost three years ago.

But the main manufacturers have maintained their position by controlling the flow and distribution of imports.

ECC has broken the mould by establishing a direct link with a foreign supplier. To prevent other customers following suit manufacturers may be forced into long-term contracts or other arrangements to secure their markets.

The international pressure for restructuring will be compounded as companies reposition to protect themselves against a decline in demand from the construction industry.

In the UK most speculation centres on Blue Circle. Some analysts believe it has plans to build a concrete plant and to acquire an aggregates producer to help it move into the ready-mix concrete market.

Rugby, the most commonly mentioned takeover candidate, is the most staunchly independent critic of vertical integration. In the last six years, diversification into joinery and steel reinforcement has reduced its dependence on cement from 90 per cent of turnover to 40 per cent.

Others in the industry believe this may allow the cement business to be spun off.

Looming over the industry are large continental manufacturers. The precedent was set last year by Scancem, the international joint venture between Aker Norcem of Norway and Euroc of Sweden, which bought Castle Cement from RTZ for £230m.

According to Mr Robert Lister, building analyst at Barclays de Zoete Wedd, it is only a matter of time before such manufacturers as Lafarge Coppee of France and Holderbank of Switzerland, which are developing pan-European manufacturing and marketing strategies, enter the UK market as investors or exporters.

As the industry is relatively concentrated, the effects of a bid would probably spread very quickly through its few players, with drastic consequences for the once cosy market place.

Mr Lister said: "The UK cannot remain a parochial part of Europe. If the continental companies move in all hell could break loose."

Dresdner Bank acquires treasury business of Elders Finance Group

By **Haig Simonian** in Frankfurt

DRESDNER BANK, West Germany's second biggest bank, has bought the treasury activities of Elders Finance Group, the finance subsidiary of the Australian agricultural and brewing concern, for an undisclosed sum.

The purchase comes barely two months after Dresdner acquired a majority stake in Banque Internationale de Placement, a leading institution in treasury and financial arbitrage in France.

Together, the two deals reflect Dresdner's plan to expand its treasury and foreign exchange trading activities, two areas of acknowledged strength, after a period in which its growth has been overshadowed by Deutsche Bank, its bigger domestic rival.

The latest deal involves about 75 individuals, who will form the core of a new Australian operation, Dresdner International Financial Markets (Australia), which the bank hopes will be operational by next February. Pending necessary regulatory approvals, the new unit will form the nucleus for wider merchant banking activities in Australia.

Dresdner aimed to "use acquisitions of intact teams which have a record of making money," said Mr Rolf Willi, a senior general manager involved in the deal.

Together with existing trading activites in Europe and North America, the unit should boost Dresdner Bank's presence in international treasury. The bank already has a strong name in foreign exchange trading, while its Frankfurt-based swaps team is believed to be very profitable.

Adequate representation in the Australian time zone has been the missing element. After selling its minority stake in Australian-European Financial Corporation, a domestic merchant banking consortium, Dresdner had been looking for a suitable purchase.

Rather than buying a small Australian merchant bank, Dresdner, which at present only has representative offices in Melbourne and Sydney, lighted on the Elders operation instead.

Elders' decision to sell its treasury activities, largely based in Sydney, reflects its plan to concentrate on core businesses. However, Elders Finance Group, which has concentrated on investment banking, will continue to function as before.

Dresdner's latest move may be followed by further expansion in such areas as stockbroking, especially in France, where it already owns four brokers, senior executives hinted yesterday.

Olivetti cuts its profits forecast and plans to reduce workforce

By **John Wyles** in Rome

FALLING prices for many of its products have prompted Olivetti, the Italian computer manufacturer, to lower its profit forecast for this year and to prepare plans to lay off 500 workers in 1990.

Until very rceently, the Ivrea-based company has appeared confident that it could hold profits in line with last year's consolidated net earnings of L356.2bn ($276m) on turnover of L8,407bn. However, Mr Vittorio Cassoni, Olivetti's managing director warned in an interview published yesterday that profits for the year would "doubtless be lower."

He told La Stampa of Turin that a sales rise of 18 per cent between May and July – the basis of the original forecast – had not been matched in subsequent months, although 10.7 per cent growth for the 11 months to November "is a good result compared to others, but less than we were hoping for."

Mr Cassoni admitted Olivetti had not foreseen "the speed and depth" of what has recently happened in information technology markets. "Above all, there has been a spontaneous fall in prices, caused by technology linked to competition."

The Olivetti chief remained convinced that "1990 will mark our recovery" because of a corporate reorganisation which from next month will have split the company into three manufacturing and commercially autonomous units. The company would be strengthening its sales network and giving closer attention to particular client needs, from banks to public administration, for systems designs.

Olivetti's decision to seek 500 lay-offs at five of its plants around Italy has shattered the relative harmony of its relations with its trade unions.

Protests have already been staged at some centres and discontent is likely to increase in the New Year.

In 1990 it will become clear that the company's gross operating margin in 1988 was not high enough to trigger productivity bonuses negotiated in a pacemaking deal in November 1988.

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THE GENERAL MOTORS – SAAB-SCANIA DEAL

Georg Karnsund: 'I was keen from the start to have a deal that was wider than just cars' · Giovanni Agnelli, head of Fiat, thought that a Fiat-Saab agreement was imminent · Sten Gustafsson, Saab-Scania chairman, finalised the deal with Swedish politicians · Roger Smith, GM chairman, gave a polite but firm 'no' to Saab's first moves · Jack Smith, GM senior executive: kept the deal one of the best-kept business secrets · Peter Wallenberg, powerful Swedish industrialist: said to have 'smoothed the way' · Pehr Gyllenhammar, Volvo chief executive: did nothing to discourage link-up rumours · Robert Eaton, president, GM Europe: strategy rethink after Jaguar talks collapsed

Surprise partner at the skinning of the bear

The coming together of Saab and GM followed weeks of suspense, deception and complex power play

Saab conducted a juggling act by holding parallel secret negotiations with GM and Fiat. Robert Taylor in Stockholm, Anatole Kaletsky in New York and Kevin Done in London, investigate

Don't sell the skin until you have shot the bear, Mr Georg Karnsund, Saab-Scania's chief executive, told the company's employees last week, quoting an old Swedish proverb.

Then he added: "Now the bear has been shot, the skin can be sold."

The sense of relief that laced the triumph was obvious as Mr Karnsund announced the remarkable deal that had sprung General Motors on an astonished world as the surprise partner for Saab-Scania's ailing car business.

In Turin, Fiat had been convinced that it had a deal with Saab sewn up. In Stockholm, the local press speculated about Volvo and Mercedes-Benz. But no one breathed a word about GM. It had been the best-kept business secret of the year – until Mr Jack Smith and Mr Bob Eaton, two of the US group's most senior executives, entered last Friday's press conference with Mr Karnsund.

Saab is one of the world's smallest car makers with a production this year of barely 110,000 cars, but with its size comes exclusivity, an image and a cachet that the world's volume car buyers cannot hope to match.

The big battalions desperately want to enter the exclusive upper echelons of the world executive and luxury car market.

This segment holds out one of the strongest promises of growth in the 1990s as the baby boom generation in North America, Europe and Asia trade up into more expensive and exclusive cars.

Toyota and Nissan have spent billions of dollars trying to create their own visions of exclusivity with their luxury car brands Lexus and Infiniti. Ford has shown itself willing to pay £1.6bn for Jaguar in pursuit of the same goal.

This was the background against which Mr Karnsund had to play, as he sought out a partner to rescue the Saab car operations and ensure its survival through to the next century, while at the same time not relinquishing all control over its future.

Mr Karnsund brought off the remarkable juggling act of conducting parallel secret negotiations over several tense weeks with two of the giants of the world automotive industry, GM and Fiat, without either side getting wind of how close they were to closing the deal.

It is a suspense full of accusations of deception and complex power play involving some of the world's leading car manufacturers in both Europe and the US and leading business figures such as Mr Peter Wallenberg, Sweden's most powerful industrialist, who intervened with the Swedish Prime Minister.

Mr Karnsund, it emerges, made his first play for GM's ear months earlier.

In June, Saab and GM put the finishing touches to an aerospace deal. Mr Roger Smith, GM chairman, decided to organise a dinner in Detroit to celebrate the new links between the two companies. The dinner took place in Detroit on September 12, at a time when Saab-Scania was actually in negotiations with Ford, GM's arch domestic rival, over the future of the troubled car operations.

Mr Karnsund thought it was only courtesy to tell Mr Smith what the Swedish company was doing with Ford, but during the course of the dinner he suggested that perhaps GM might be interested in a deal.

Mr Smith gave a polite but firm "no," but the Saab leadership is in no doubt that the Detroit meeting planted the idea in Mr Smith's mind.

At the same time, GM was itself pursuing Jaguar, the UK luxury car maker, and did not want to be deflected.

By mid-November the world was a different place. GM had been spectacularly out-manoeuvred by Ford in the hunt for Jaguar, while Ford had dropped out of the Saab talks.

The Swedish group had been left with little alternative but to pursue expressions of interest from Fiat.

On November 14, however, GM decided to re-enter the arena. Mr Karnsund received an unexpected phone call at his head office in Linköping in central Sweden from Mr Robert Eaton, president of GM Europe. "When the talks with Jaguar collapsed, I had to think again about our whole up-market strategy," says Mr Eaton.

He invited Mr Karnsund to GM's European headquarters in Zurich, on November 21, to examine a possible partnership deal. It was an opportune call.

Saab was still sore over Ford's decision to pull out of the earlier talks, and the subsequent negotiations with Fiat were not going well.

The Italians were insisting on tough conditions including a majority stake in Saab's car operations and were not interested in a wider deal covering other Saab-Scania business areas. Fiat made it clear that it would replace the existing car division leadership. One Turin source remarked: "You can't let people who are losing so much money dictate the terms."

The Zurich talks began in very general terms, but within 24 hours the two sides recognised that a deal was possible.

"I was keen from the start to have a deal that was wider than just cars," recalls Mr Karnsund.

"I was particularly interested in close collaboration in the area of automotive electronics as well as aerospace and missiles. With such a big company as GM there were many things we could do together."

Saab and GM were having negotiations quite independently of what was happening on the car side over tactical missile projects that had started on October 10.

Mr Eaton and Mr Karnsund decided to set up a small strategy team of their marketing people and product planners to see if they could come together fruitfully. "If it didn't work out, then we'd just shake hands and forget the whole thing," says Mr Eaton.

The joint team worked intensively for three days in Zurich and had an outline product programme ready by Friday, November 24.

"When I saw the presentation, I was really excited," says Mr Eaton. "I called Karnsund and told him – if this looks as good to you as it does to me, I'll come up to Sweden on Monday morning to look at your plants."

On November 27 he led a GM team around every one of Saab's facilities in Sweden and Finland. As the tour progressed his confidence rose. "The personal chemistry was developing very very well. We kept putting meat on the bones of our relationship," he says.

The GM-Saab connection was undoubtedly helped by the old personal friendship between GM's chairman Mr Roger Smith and Saab's largest shareholder Mr Peter Wallenberg, the most powerful industrialist in Sweden.

"Peter opened doors and smoothed the way," admits one senior Saab source.

Mr Wallenberg played no direct role in the negotiations but he became a constant and positive encouragement behind the scenes.

As the GM talks progressed Saab became increasingly angered by constant leaks by Fiat to the Italian press giving the mistaken impression that a deal with Fiat was coming at any moment.

"Perhaps they thought we were desperate and had nowhere else to go," says one Saab source.

If so, Fiat made a serious miscalculation. By December 13, Saab and GM were putting the finishing touches to a joint deal. Mr Smith flew into Stockholm to preside over the final stage of the negotiations in a bullish mood, impressing Mr Karnsund with his enthusiasm for the venture.

It was never a question of a GM takeover. The two sides, much to the Swedes' delight, treated each other as equals. It was Saab and not GM who suggested a 50-50 joint venture with GM in ultimate control. As Mr Eaton explains: "They felt that if Saab retained control they wouldn't get the benefit of GM's synergies and new ideas." The financial details were settled within a week.

Now Mr Wallenberg's influence came into play. Often under-estimated, he began to take a more public role. Rumours flowed round Stockholm in early December about Saab's likely suitor.

Once again its Swedish rival Volvo was mentioned, something that neither Mr Wallenberg nor Volvo chief executive Mr Pehr Gyllenhammar did anything to discourage. A so-called Swedish solution was unattractive, however, because it would have meant probable plant closures and job losses.

Along with the Fiat speculation, Volvo proved to be a useful, if unknowing, decoy to keep attention away from what was going on in strict secret with GM.

Last Thursday afternoon, Mr Wallenberg phoned Sweden's Prime Minister Mr Ingvar Carlsson and asked for a meeting at once to tell him what Saab wanted to do.

Mr Carlsson was flanked by Mr Kjell-Olof Feldt the influential Swedish Finance Minister and Mr Ivar Nordberg, the Industry Minister, at their 6 pm meeting with Mr Wallenberg and Mr Sten Gustafsson, Saab-Scania chairman. The politicians raised no objections.

By 2 am on Friday morning the deal was ready for signing. Seven hours later Mr Karnsund and the GM leaders walked into Saab's board meeting to unveil their agreement and get its approval.

It was only then, at about 10 am, that Mr Wallenberg rang his old friend Mr Giovanni Agnelli, the head of Fiat to tell him the news, while Mr Karnsund telexed Mr Cesare Romiti, Fiat's chief executive.

The Italians were bitter. They had thought that Saab was about to announce its agreement with them. Indeed, Turin had recalled its public relations managers to prepare for the expected press conference to announce a Fiat-Saab deal.

The drama was played out to the end. Mr Kai Hammerich, Saab's communications director, had even booked the room for the press conference in the head office of S-E Banken, Sweden's main bank, not in the name of the company but of a fictitious Swedish body called the Swedish Sponsors Association.

Miraculously, news of the GM deal remained secret until almost the start of the press conference at 3 pm last Friday. Expressen, the Stockholm popular afternoon tabloid, was selling on the streets at that moment with the headline, "Fiat buys Saab today."

NEW ISSUE — This announcement appears as a matter of record only, — December, 1989

SUMITOMO CORPORATION OVERSEAS CAPITAL LIMITED

(Incorporated with limited liability in the Cayman Islands)

U.S.$100,000,000

8½ per cent. Notes due 1992

ISSUE PRICE 101⅛ PER CENT.

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Birmingham Midshires Building Society
£150,000,000
Floating Rate Notes Due 1998
Interest Rate: 15.25% per annum
Interest Period: 21 December, 1989 to 21 March, 1990
Interest Amount per £5,000 Note due 21.3.90: £188.01
Interest Amount per £50,000 Note due 21.3.90: £1,880.14
Agent Bank
Baring Brothers & Co., Limited

NOTICE TO THE HOLDERS OF NOTES OF ORIENT FINANCE CO., LTD. (the "Company")
Issued in conjunction with US$50,000,000 11% Guaranteed Notes – due 1992
Change of Trade Name
We hereby give notice of the change of the Company's trade name with regard to the captioned Notes.
The General Meeting of Shareholders of the Company resolved by the meeting held on 29th June 1989, to change their trade name from ORIENT FINANCE CO., LTD. to ORIENT CORPORATION with effect from 1st October 1989.
Noteholders are also hereby informed that:-
– there will be no stamping and no exchange of the Notes, resulting from the change of the trade name;
– the new Company undertakes to make payment of principal and interest in respect of the captioned Notes;
– the Notes remain listed on the Luxembourg Stock Exchange under their former denomination followed by the indication of the new one.
22nd December 1989
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FT LAW REPORTS

Hague-Visby time limit applies to conversion claim

THE CAPTAIN GREGOS
Court of Appeal (Lord Justice Slade, Lord Justice Stocker and Lord Justice Bingham):
December 14 1989

A CARGO-OWNER who is party to a bill of lading contract incorporating the Hague-Visby Rules is barred from claiming for short delivery due to deliberate misappropriation of cargo by shipowners, if he fails to proceed within the one-year time limit laid down in those Rules.

The Court of Appeal so held when allowing an appeal by plaintiff shipowners, Compania Portorafti Commerciale SA from Mr Justice Hirst's decision that a short-delivery claim made against them by defendant cargo-owners, Phibro Energy AG and BP Oil International Ltd, would be time-barred under the Hague-Visby Rules. Further issues have still to be decided before finalisation of the proceedings.

Article II of the Hague-Visby Rules as set out in the Schedule to the Carriage of Goods by Sea Act 1971, provides: ". . . under every contract of carriage of goods by sea the carrier, in relation to the loading, handling, stowage, carriage, custody, care and discharge of such goods, shall be subject to the . . . liabilities, and entitled to the . . . immunities hereinafter set forth."

Article III: "(2) . . . the carrier shall properly and carefully load, handle, stow, carry, keep, care for and discharge the goods carried . . . (6) . . . the carrier and the ship shall in any event be discharged from all liability whatsoever in respect of the goods, unless suit is brought within one year of their delivery or . . . when they should have been delivered."

LORD JUSTICE BINGHAM said that in June 1984 the Captain Gregos carried a cargo of crude oil from Egypt to Rotterdam under bills of lading which incorporated the Hague-Visby Rules. Discharge was completed on June 17 1984.

In December 1985 cargo owners complained the ship had made short delivery. The shipowners replied that the claim was barred by the one-year time limit in Article III rule 6 of the Hague-Visby Rules.

On January 28 1987 the shipowners issued an originating summons in the Commercial Court seeking a determination as to whether the claim had been time-barred.

Mr Justice Hirst ruled, in favour of cargo-owners, that the time limit did not apply.

The essence of the cargo-owners' claim was that the short delivery was caused by deliberate misappropriation.

In their counterclaim they alleged that the shipowners used part of the cargo to bunker the vessel, transhipped part of it during the voyage, and deliberately omitted to discharge the full amount at Rotterdam, concealing part of it in hidden recesses and sailing away with it still on board for their own use.

The counterclaim commenced 18 months after expiry of the one-year period.

The shipowners now appealed from Mr Justice Hirst's ruling that the time limit did not apply. For the purposes of the issue it was assumed that shipowners and cargo-owners were parties to a bill of lading contract incorporating the Hague-Visby Rules.

Mt Justice Hirst said the question was whether delivery was within the scope of the Article II "package."

He said Article II of the Rules described the various stages at which the carrier bore responsibilities and liabilities and was entitled to rights and immunities – loading, handling, stowage, carriage, custody, care, discharge. All were functions of transportation. The "package," he said, seemed "inherently inapt to embrace delivery, which imports concepts of possessory or proprietary rights, a lien . . . to these carefully listed transportational stages."

He said that once it was concluded that delivery was outside the scope of Article II it followed that misdelivery was outside the scope of Article III rule 6, since the carrier was under no liability in that respect.

The judge held that misdelivery, whether dishonest, honestly intentional or merely mistaken, was entirely outside the scope of the Rule. He made a declaration that the claim had not been extinguished by Article III rule 6.

He was wrong to make the declaration he did on the ground he did.

Article II defined the scope of the operations to which the responsibilities, liabilities, rights and immunities in the Rules applied. The shipowners' central obligation was (per Article III rule 2) properly and carefully to load, handle, stow, carry, keep, care for and discharge the goods carried.

The acts of which the cargo-owners complained were the most obvious imaginable breaches of Article III rule 2.

A bailee did not properly and carefully carry, keep and care for goods if he consumed them in his ship's boilers or delivered them to an unauthorised recipient during the voyage. A bailee did not properly and carefully discharge goods if, whether negligently or intentionally, he failed to discharge them and converted them to his own use.

If the cargo-owners were to establish the alleged facts and had brought suit within the year, a claim based on breach of the Rules could not have failed.

Article III rule 6 provided that the carrier and the ship should "in any event" be discharged from "all liability whatsoever in respect of the goods" unless suit was brought within the year. More emphatic language could not have been used.

"All liability whatsoever in respect of the goods" meant exactly what it said.

The inference that the one year time bar was intended to apply to all claims arising out of carriage or miscarriage of goods by sea under bills subject to the Hague-Visby Rules was strengthened by the consideration that Article III rule 6 was, like any time bar, intended to achieve finality.

A cargo-owner should know whether he had received short delivery at or about the time of delivery. If he found an unjustifiable shortage he was in a position to sue. He should be ready to sue well within the year as the Rules intended.

Because of his finding on that first point it had been unnecessary for Mr Justice Hirst to deal with other points raised. Those now fell to be considered by the present court sitting in effect as a court of first instance.

The cargo-owners contended they were not parties to the bills of lading, and were therefore not bound by the Hague-Visby Rules

The shipowners replied (a) that the cargo-owners were or were to be treated as parties to the bills of lading; and (b) that on a proper construction of the 1971 Act and the Rules, the cargo-owners were bound even if not established as parties to the bills.

Lack of time prevented the court from hearing argument on issue (a), but it had heard full argument on issue (b).

For purposes of that issue the only essential fact was that the shipowners did issue bills of lading to which the 1971 Act and the Hague-Visby Rules applied.

Article X of the Rules provided that they should apply "to every bill of lading relating to the carriage of goods between ports in two different states" if issued in a contracting state, or if carriage was from a port in a contracting state.

The shipowners argued that they could rely on the time bar because the Rules had the force of law and applied to any bill covered by Article X, as these bills were. The cargo-owners argued that the language of the Act and the Rules showed they were intended to regulate the rights and duties of parties to the bill of lading contract, not non-parties.

The cargo-owners' argument was preferred.

The general principle that only a party to a contract might sue on it was well established in the UK. If the draftsmen of the Carriage of Goods by Sea Acts had intended the respective Rules to infringe that principle they would have made it clear. The notion that bill of lading terms might be held to regulate relations between non-parties was specifically disavowed by Lord Donaldson MR and the House of Lords in *The Aliakmon [1985] QB 350,368; [1986] AC 785, 818.*

Accordingly, the second issue was determined in the cargo-owners' favour. The fate of the appeal as a whole could not be determined until the remaining questions were ruled on.

Lord Justice Slade and Lord Justice Stocker gave concurring judgments.

For the shipowners: Nigel Teare (Lewis Moore).
For the cargo-owners: Iain Milligan (Clyde & Co who were not instructed prior to expiry of the one-year period).

Rachel Davies
Barrister

INTERNATIONAL COMPANIES AND FINANCE

Albert Fisher in £180m cash call to fund growth

By Andrew Bolger in London

ALBERT FISHER Group, the acquisitive fresh produce producer and processed foods supplier, yesterday announced plans to raise £180m ($288m) by a rights issue and placing to fund future acquisitions.

The issue is being supported by Corporate Partners, a $1.6bn US investment fund which takes friendly stakes in companies with long-term growth potential.

A placing of the new shares will give CP 5 per cent of the enlarged equity. It has also agreed to take up shares not subscribed under the rights issue. CP will be allowed to increase its shareholding to a maximum of 20 per cent through purchases.

Shareholders will be offered shares at 110p on a one-for-three basis. Albert Fisher shares yesterday closed down 2p at 115p.

Fisher is also offering a one-for-10 bonus issue of warrants allowing shareholders to buy Fisher shares at 185p. If all the warrants, exercisable in 1990, 1991 and 1992, are taken up, they could bring in £110m.

Mr Tony Millar, Fisher's chairman and chief executive, said that since May 1987 Fisher had invested some £170m in cash on 28 acquisitions in Europe and North America and in improving and adding to the group's operating assets.

Mr Millar said that the rights issue would provide Fisher with a war chest of about £100m with which it could continue its acquisitions policy, without it being subject to the vagaries of short-term market fluctuations.

He said CP's investment would bring experience and knowledge of the US market to Fisher. CP will put one director on the board immediately and will have a second if and when its stake rises above 15 per cent.

CP is an affiliate of Lazards Frères, the New York investment bank. It was launched last year and invests funds from US and overseas foreign institutions.

This year CP has invested $121m in Transco Energy, one of the largest natural gas pipeline companies in the US, to finance a large acquisition. It also invested $300m in the equity of Polaroid Corporation, the international instant imaging company.

Mr Millar said the funds available would enable Fisher to make larger acquisitions.

Lex, Page 14

Pechiney reprieves smelter with FFr200m

By William Dawkins in Paris

PECHINEY, the French nationalised aluminium group, yesterday issued a reprieve for a smelter at Noguères in southern France, one of the two plants it had planned to close to make way for more modern capacity.

The group's packaging subsidiary, American National Can, plans to invest FFr200m ($33.67m) in making can tops there, at a new plant to start production by the end of 1991. It will serve the southern European drinks can market, estimated to be growing at 10 per cent per year.

Mr Marc Rich, the Swiss-based financier, approached the French Government early this year with a plan to take over the plant for up to FFr100m and continue aluminium production there.

He maintained this week that the offer still stands, though the French Industry Ministry said it had received no communication from him.

The 65,000 tonne smelter is one of the oldest contributors to Pechiney's 300,000 tonnes per year French output and would need FFr1bn investment to bring it up to modern efficiency standards, said the group.

Details of the investment for the first two lines will be announced before the year end, with the rest to be confirmed by the end of next June.

● Orkem, the French state-owned chemicals maker, yesterday forecast flat profits for 1989 and welcomed a European Commission ruling in favour of a FFr9.5bn government rescue deal granted three years ago.

The commission announced a day earlier that the package, consisting of a FFr4.37bn debt write-off and FFr5.1bn of fresh capital, did not contravene European Community restrictions on state aid. Orkem was close to collapse at the time, making heavy losses

It forecast that net consolidated profits this year would be around FFr3bn on sales of FFr23bn, against last year's FFr3.05bn on sales of FFr21.5bn.

Blue Circle expected to renew offer for Myson

By Clare Pearson in London

BLUE Circle Industries, the cement and home appliances company, is likely to renew its takeover offer for Myson, the boilers and radiators concern, after gaining the go-ahead from the Monopolies and Mergers Commission yesterday.

In two separate reports, the commission cleared the way both for Yale & Valor, the security and home products company which was first in the bidding for Myson in July, and Blue Circle to relaunch their offers.

It also cleared Blue Circle's 29.5 per cent holding in the company, acquired when it launched its £195.7m ($313m) cash offer in the summer.

The expectation in the stock market yesterday was that Blue Circle would rebid on similar terms to its original 240p-per-share cash offer. Myson's shares closed 23p up at 224p.

Blue Circle would not comment on whether it expected to renew its offer, and if so on what terms. It said it was "reviewing its options and would make an announcement as soon as possible."

Pressures on consumer spending and gloom in the housing market have meant the market for Myson's products has worsened since Blue Circle announced its bid in early August.

Yale & Valor failed to increase its offer, worth about £187m when the MMC referral was announced three months ago, after Blue Circle moved in with a higher bid. It was then seen as having little reason to remove itself from the negotiating table while the regulatory inquiry was going on.

Mr Jeoff Samson, managing director of Yale & Valor, said yesterday: "Five months have passed since we launched our offer. We now need to review what has happened to the market since then."

Myson recommended Blue Circle's offer in August, subject to clearance by the Office of Fair Trading which later referred the matter to the MMC.

Lex, Page 14; Details, Page 20

Wembley goes to the dogs in US track deal

By Andrew Bolger

WEMBLEY, the UK leisure and property group, is going to the dogs in a big way by buying five greyhound tracks in the US for $92.5m.

Mr Brian Wolfson, chairman and chief executive, said the deal would make Wembley, which owns the famous stadium and six dog tracks in the UK, the world's biggest operator of greyhound tracks.

Having helped to modify greyhound racing's cloth-cap image in the UK by persuading many punters to sit down and have a meal and a drink as well as a bet, Mr Wolfson hopes to apply the same formula to the US tracks, in Rhode Island, Colorado and South Dakota.

He intends to offer US dog track gamblers more complicated bets which provide the operator with higher profit margins.

Wembley has a 20 per cent stake in United Tote of the US, which last week paid $85m for Autotote, a supplier of computerised wagering equipment. United Tote is one of the two largest suppliers of such equipment and is the joint owner of one greyhound track and one horse racing track in the US.

Gambling in the US is becoming less regulated and Wembley believes that there is a substantial untapped market which could be addressed by more states allowing off-track betting. This could enable greyhound track and horse racetrack operators to provide their own totalisator systems.

Mr Wolfson said UK dog tracks could learn from the way their US counterparts provide good fast-food to customers who do not want a sit-down meal and also use free coaches and marketing campaigns to widen the appeal of dog tracks to the local community.

United Track Greyhound Racing, Wembley's 80 per cent subsidiary, is buying the five privately-owned tracks from their principal executives.

The tracks are in Lincoln Greyhound Park, Rhode Island; Sodrac Park, South Dakota; and Colorado's Mile High Kennel Club, Pueblo Greyhound Park and the Interstate Kennel Club.

ABB to boost share capital

By William Dullforce in Geneva

ASEA BROWN BOVERI, the big European electrical engineering group which has just taken over Combustion Engineering of the US, announced yesterday it was increasing its share capital by $780m to $2.03bn.

The two parent companies, Asea of Sweden and Brown Boveri of Switzerland, will each subscribe half the new capital, of which $470m was paid yesterday.

The ABB board will call on the remaining $310m sometime next year.

ABB's shares are not publicly traded; the shares of the parent companies are listed on several stock exchanges.

The strengthening of ABB's capital base should be seen in the light of the restructuring of the electro-technical industry, the parent companies said.

Since it was created by merger in January 1988, ABB has spent more than $3bn on acquisitions, including the $1.6bn it is paying for Combustion Engineering.

Yesterday's announcement was prompted by the speed with which the Combustion Engineering deal has gone through. ABB had not expected to have to raise finance before next month at the earliest.

Asea said it was financing its half of the capital increase from its own liquidity and through borrowing.

In the short term Brown Boveri is also financing its half by borrowing but will refinance in the spring. Its board is thinking in terms of a combination of a bond issue and an equity increase, which would probably include a shareholders' rights issue.

ABB is now the world leader in electrical engineering, with annual sales of about $25bn and 215,000 employees spread across 140 countries.

BNL in internal reorganisation

By John Wyles in Rome

THE BOARD of Banca Nazionale del Lavoro is next week to begin designing an internal reorganisation aimed at avoiding any repetition of the recent scandal involving the allocation of $2.8bn of unauthorised credits to Iraq.

At a meeting late into Wednesday evening, BNL directors were given their first full briefing by Bank of Italy inspectors of the organisational shortcomings which helped the clandestine transfer of credits from the bank's branch in Atlanta, Georgia to the Iraqi central bank and related beneficiaries.

Not surprisingly the Bank of Italy's inquiry has pointed to shortcomings in overall management scrutiny of the bank's business and also to the inadequacies of BNL's internal inspectorate.

According to Mr Giampiero Cantoni, BNL's chairman, the Bank of Italy had not identified any members of BNL's top management – its directorate general – as being involved in the credit transactions, although it has reported to magistrates the names of some headquarters staff thought to have been aware of what was happening in Atlanta.

At next week's BNL board meeting members are to consider the Bank of Italy's report in some detail as a preliminary to adopting organisational reforms.

In the meantime, BNL's future and the commitment of at least one of its main shareholders is becoming increasingly uncertain.

INA, the state insurance company which is to raise its stake in BNL to 20 per cent after a capital increase, is now pressing the government either to allow it a stronger role in the management of BNL or to liquidate its investment.

Humana rises with increase in patients

By Roderick Oram in New York

HUMANA, a leading US hospital management group, has reported higher fiscal first quarter profits thanks to more patients and improved performance from its healthcare plans.

Net profits for the three months ended November 30 rose 16 per cent to $63.4m, or 63 cents a share, from $54.6m, or 55 cents, a year earlier. Revenues rose 18 per cent to $1.11bn from $938.5m.

Patient admissions increased by 5 per cent to 127,700 from 121,400 during the quarter, helping the group's hospitals to boost their operating income by 6 per cent to $143.7m from $135m. The Louisville-based company owns and operates 83 hospitals in the US and abroad.

Humana also benefited from a turnround of its healthcare plans. The number of members enrolled rose to 971,700 from 841,500 a year ago. The plans generated operating profit of $6.4m in the quarter.

The latest quarterly net includes a 9 cents a share gain from a favourable tax ruling and a 9 cent a share charge mainly for retiring high interest debt.

Hafnia launches joint company

By Xueling Lin in Copenhagen

HAFNIA, the second largest insurance-based financial services group in Denmark, and Provinsbanken, a medium-sized bank, yesterday announced the creation of Danske Phoenix, a joint general insurance company.

Later, TopDanmark, Denmark's fourth largest insurance company, and Aktivbanken, ninth on the Danish bank ladder, announced their merger.

The deals between banks and insurance companies mark a new phase in the financial sector since Danish banks were formerly confined to carrying out strict banking activities.

The new Danske Phoenix company, with a start up capital of DKr50m ($7.36m), will offer general insurance, to be marketed and sold via branch offices of Provinsbanken.

Provinsbanken has itself been involved in a merger, with Denmark's largest bank, Den Danske Bank, which took place last week.

Mr Jens Otto Veile, managing director of Provinsbanken, said Phoenix might sell insurance via Den Danske Bank offices when the details of the bank merger were worked out in March next year.

Hafnia took a step towards internationalisation of its activities in September this year when it bought Prolific, the UK unit trust, life assurance and pension fund group.

The DKr1.1bn Prolific acquisition increased the Hafnia group's equity capital by DKr800m to DKr6.2bn.

NEW ISSUE — This announcement appears as a matter of record only. — December, 1989

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New Issue — *21st December, 1989*

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Warrants

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This announcement appears as a matter of record only.

New Issue *21st December, 1989*

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with

Warrants

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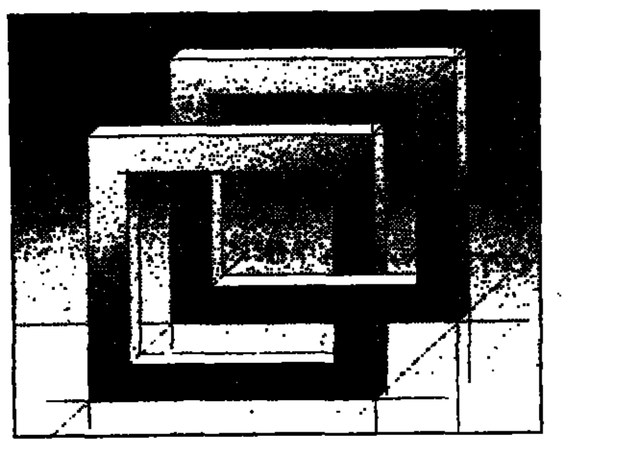
Shearson Lehman Hutton International — *Société Générale*

Swiss Volksbank — *Taiheiyo Europe Limited*

S.G. Warburg Securities

Interim Report as of September 30, 1989



The full Interim Report on the development of our bank's business from January 1 to September 30, 1989 is available.

If you wish to receive the report, please contact us (Frankfurter Hypothekenbank AG, Postfach 10 08 48, D-6000 Frankfurt a. M. 1), stating the number of copies required.

Frankfurt am Main, December 1989 — The Board of Managing Directors

Frankfurter Hypothekenbank

Republic of Venezuela

U.S. $166,000,000
Floating Rate Notes due 1994

U.S. $167,000,000
Floating Rate Notes due 1998

U.S. $167,000,000
Floating Rate Notes due 2003

For the interest period from December 22, 1989 to June 22, 1990 the rate has been determined at 9⅛%. The interest amounts payable on June 22, 1990 will be U.S. $480.28 per U.S. $10,000 in registered form and U.S. $1,200.69 per U.S. $25,000, U.S. $4,802.78 per U.S. $100,000 and U.S. $12,006.94 per U.S. $250,000 in bearer form.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

December 22, 1989 — CHASE

SANWA AUSTRALIA LEASING LIMITED

SANWA AUSTRALIA FINANCE LIMITED

A$100,000,000

Guaranteed Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given that for the three-month period 20th December 1989 to 20th March 1990 (90 days) the notes will carry an interest rate of 17.5333% p.a. Relevant interest payments will be as follows:

Notes of A$100,000
A$4,323.28 per coupon.

THE SANWA BANK LIMITED
Agent Bank

INTERNATIONAL PROPERTY

For details & rates please phone

CLIVE BOOTH.
01-873 4839.

the Leeds

LEEDS PERMANENT BUILDING SOCIETY
(Incorporated in England under the Building Societies Act 1986)

Issue of up to an aggregate of
£200,000,000
Senior Variable Rate Notes Due 1994
and
Subordinated Variable Rate Notes
with a maturity of 12 years

Notice is hereby given that for the three months interest period from December 21, 1989 to March 21, 1990 (90 days) the Senior Notes and Subordinated Notes will carry interest rates of 15.225% and 15.375% respectively. The interest payable on March 21, 1990 for the Senior Notes will be £375.41 and for the Subordinated Notes £379.11.

By: The Chase Manhattan Bank, N.A. London, Principal Paying Agent — CHASE

December 22, 1989

STATE BANK OF SOUTH AUSTRALIA
A $75,000,000
FLOATING RATE NOTES DUE 1994

Holders of the notes of the above issue are hereby notified that for the next interest sub-period the following will apply.

INTEREST RATE: 17.44 PER CENT PER ANNUM
INTEREST PERIOD: 18 DECEMBER 1989–19 MARCH 1990
INTEREST AMOUNT DUE: 19 MARCH 1990
PER A$10,000 NOTE: A$434.80
PER A$5,000 NOTE: A$217.40

BANK OF TOKYO AUSTRALIA LIMITED
AGENT BANK

Citicorp Finance PLC
£150,000,000
Guaranteed Floating Rate Notes Due December 1997
Unconditionally Guaranteed by
CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 15.225% and that the interest payable on the relevant Interest Payment Date, March 21, 1990 against Coupon No. 17 in respect of £10,000 nominal of the Notes will be £375.41.

December 22, 1989, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank — CITIBANK

INTERNATIONAL CAPITAL MARKETS

EC directive on capital rules could hit UK firms

By Richard Waters

SECURITIES businesses in London could halve their already meagre return on capital if European Commission draft rules on capital adequacy come into force in their current form.

A recent, unpublished draft directive on capital adequacy for non-bank securities firms does not allow member states to follow the risk-based approach to capital adequacy used in countries such as the UK. This reverses the position in a draft produced last month. A final version of the paper, to be submitted to Mr Leon Brittan, the commissioner responsible, is expected at the end of January.

Securities firms in London claim the draft rules would drive international business away from the European Community, with London standing to lose most.

The existing UK capital adequacy system allows firms, when calculating their exposure for capital purposes, to net off positions in securities against each other and to take account of hedging and diversification.

Its supporters claim this approach reflects the real risks borne by firms and allows the most efficient economic use of capital.

This contrasts with the approach in much of Europe, and the one the EC proposes to adopt, where securities business is conducted by banks. High minimum capital levels make entry to the business expensive.

Above this level the only requirement is the 8 per cent across-the-board rule applied by the Bank for International Settlements in Basle.

Banking regulators, particularly in West Germany, which oversee all the activities of the banks under their jurisdiction, believe that such an approach is more prudent than that in the UK, and that allowing member states a choice would lead to unfair competition.

The effect of banning the UK system would be roughly to double the capital required, securities firms in London calculate. The result depends on the type of business carried out by each firm, and is based on the following:

● Capital required to protect against counterparty and settlement risk would be up to 25 times the current UK requirement. This includes a ¼ per cent provision on all unsettled transactions from the trade date.

● Capital required to back equity positions is expected to rise by between five and 10 times for many firms.

● For debt securities, there would be little change.

Amsterdam SE ends fixed fees

By Laura Raun in Amsterdam

PROMPTED BY international pressures, the Amsterdam Stock Exchange has decided to scrap fixed commissions on securities transactions from July 1 1990, although leading members have no plans to cut fees dramatically.

It is generally expected that commission levels will stay much the same, with perhaps a modest rise for small trades and a slight decline for large transactions.

Big banks and brokerage firms are eschewing deep discounts and sharply differentiated commissions – according to service rendered – in an attempt to forestall a vicious price war.

Only a few market players expect discount brokers to spring up as a result of Wednesday's decision by stock exchange members.

Whether the liberalisation will have the desired effect of making the Amsterdam stock market more competitive remains to be seen.

Abolition of fixed commissions is only one of a series of modernisation moves highlighted yesterday by Baron Boudewijn van Ittersum, chairman of the Amsterdam Stock Exchange.

The moves are designed to promote Amsterdam as a financial gateway to Continental Europe by recouping business lost to London, improving Dutch market mechanisms and building on Amsterdam's strengths.

London scrapped fixed commissions in 1986, Paris followed earlier this year and German bourses have never had minimum fees.

In 1986 Amsterdam introduced negotiated fees on block trades – above Fl 1m ($510,000) for stocks and Fl 2.5m for bonds – through the Amsterdam interprofessional market. For other trades investors pay a fixed percentage of a transaction's value, ranging from 0.36 per cent to 1.7 per cent.

In addition they pay a flat fee of Fl 7.50 or Fl 17.50 per trade, depending on clearing, plus a 0.12 per cent stamp duty.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Austria 9⅛ 93	140	103¼	103¾	+0⅛	+0¼	8.32
B.F.C.E. 8⅞ 94	175	100	100⅜	+0⅛	+0⅛	8.29
B.F.C.E. 9¼ 95	150	103½	104	0	+0¼	8.41
Brit. Tel. Fin. 9⅜ 98	250	104½	105	0	+0⅛	8.59
Canada 9 96	1000	103⅞	104⅛	0	+0⅛	8.11
C.C.C.E 9¼ 95	300	103¼	103⅜	0	+0⅛	8.38
C.N.C.A 9⅜ 93	150	†102½	103	+0⅛	+0¼	8.48
Credit National 8¼ 93	200	†99⅞	100⅛	0	+0⅜	8.18
Credit National 7⅞ 92	100	97⅞	98⅛	0	+0⅛	8.26
Credit National 9½ 92	160	†102½	103	0	+0⅛	8.43
Dai-Ichi Kan 9⅝ 92	150	102½	103⅛	0	+0⅛	8.43
Denmark 8¼ 94	150	†99	99½	0	0	8.43
E.E.C. 7 91	100	97⅛	98⅛	0	+0⅛	8.22
E.E.C. 10 93	140	†104⅜	104¾	-0⅛	0	8.34
E.I.B. 8½ 99	150	100	100⅜	0	+0⅛	8.48
Eurofima 10⅛ 93	100	†104¾	105⅛	0	+0⅛	8.32
Elec. De France 9 98	200	103	103⅜	0	+0⅛	8.45
Elec. De France 9½ 99	200	†105⅝	106	+0⅛	+0⅜	8.54
Finland 9 96	250	102⅞	102¾	0	+0⅛	8.46
Finn.Exp.Cd. 8½ 92	200	100⅛	100⅝	0	+0⅛	8.28
Finn. Exp. Cd. 9⅜ 95	200	103⅝	104⅛	0	+0⅛	8.50
Ford Motor Credit 8 91	250	†99	99½	0	0	8.60
Gen. Elec. Cap. Corp. 9 93	500	†102⅛	102⅝	0	0	8.26
Gen. Elec. Cap. Crp. 10 1/2 91	300	102⅛	102⅝	0	0	8.34
G.M.A.C. 8¼ 96	500	†99¾	100¼	0	0	8.75
G.M.A.C. 9 96	300	100¾	101⅛	0	+0⅛	8.77
Gen. Mtrs. Corp. 9⅛ 92	200	101½	102⅛	0	0	8.30
IBM Credit Corp. 8⅝ 92	400	100½	100⅞	+0⅛	+0¼	8.30
IBM Credit Corp. 8⅞ 91	250	100½	101	0	0	8.39
IBM Credit Corp. 9 92	250	101⅝	102⅛	+0⅛	+0⅛	8.12
IBM Credit Corp. 9½ 92	250	101⅞	102⅜	0	0	8.36
Italy 8½ 94	1500	100½	100⅞	0	+0⅛	8.33
Italy 9½ 95	1000	104⅝	105⅛	+0⅛	+0¼	8.41
Italy 9⅝ 99	1000	106¼	106¾	0	+0⅛	8.58
Itoh C. W/W 4⅝ 94	1000	112¾	113¾	-0¼	-0¼	1.55
Japan Dev. Bank 10 96	200	107⅜	107¾	+0⅛	+0⅜	8.39
KFW Intl. Fin. 9 94	300	102¼	102¾	+0⅛	+0¼	8.32
L.T.C.B. of Japan 9¼ 92	200	101⅝	102⅛	0	+0¼	8.47
Nippon Tel.&Tel. 9⅜ 98	250	104⅝	105	0	+0⅛	8.59
Norway 8⅞ 93	500	101⅜	102	0	+0⅛	8.13
Portugal 8¼ 91	300	†98⅞	99⅜	0	-0⅛	8.96
Sumitomo Corp. W/W 4 93	1500	†124¼	125¼	-1	-2¼	-2.62
Sweden 8¾ 96	200	101¾	102⅛	0	0	8.34
Toyota 9½ 91	200	101¾	102¼	+0⅛	+0⅛	8.37
Toyota Mtr.Corp. W/W 4 93	1500	†106½	107½	+0¼	0	1.89
Victorian Rep 11⅝ 92	150	105⅝	106⅛	0	0	8.71
World Bank 8⅜ 99	1500	101¼	101⅝	+0⅛	+0⅛	8.37
World Bank 9 97	300	103	103½	0	+0⅜	8.39
World Bank 9 93	300	102¼	102⅝	+0⅛	+0¼	8.13
World Bank 9⅛ 98	300	104⅜	104¾	0	0	8.50
World Bank 9⅝ 99	500	106⅞	107¼	0	+0¼	8.48
World Bank 9¾ 96	300	†106¼	106½	+0⅛	-0¼	8.40

Average price change... On day 0 on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	92⅝	93	+0⅜	+0¼	7.84
Austria 6¾ 99	750	94⅜	95	-0¼	+0⅜	7.57
Bk.Frgn.Econ.USSR 7 96	750	†93½	94½	-0¼	-0¼	8.25
Bank of Tokyo 5¾ 93	100	93½	94	0	0	8.04
Commerzbank o/s. 5⅜ 93	300	93¼	93¾	+0⅛	0	7.85
Credit Foncier 6¾ 99	500	94	94⅜	-0⅛	+0½	8.67
E.I.B. 6¼ 99	600	90⅞	91⅝	0	+0⅛	7.61
E.I.B. 6½ 99	300	95½	96¼	0	+1⅜	7.12
E.I.B. 6⅝ 96	600	96	96⅜	+0¼	+0⅜	7.35
E.I.B. 6⅞ 95	300	98⅝	99⅜	+0¼	+0⅞	7.08
Euro.Coal&Steel 5⅞ 97	175	89½	90⅛	-0⅛	-0¼	7.79
Eurofima 6¼ 96	100	—	—	—	—	—
Elec De France 5¾ 97	300	90⅛	90¾	-0¼	-0⅜	7.44
Hydro-Quebec 6¾ 99	300	92⅝	93⅜	+0¼	0	7.83
Japan Dev. Bk. 5⅜ 95	300	90	90¾	+0⅛	+0⅛	7.62
Japan Finance 5¾ 97	100	88⅛	88¾	-0⅛	-0⅛	7.93
I.A.D.B. 7¼ 99	300	97½	98¼	0	+0⅝	7.56
Ireland 6½ 97	300	92	92½	—	—	7.92
Ireland 7¼ 99	500	95¾	96½	-0⅛	+0¼	7.83
Malaysia 6⅛ 94	150	93⅛	93⅞	0	0	8.00
Nat. West BK. PLC 6 98	300	88	88¾	-0⅛	-0⅛	7.95
N.H.L. Finance 6¾ 95	200	—	—	—	—	—
Nippon Telg.&Tel. 6 95	400	94⅞	95⅛	-0½	+1⅞	6.45
Oesters. Kontbk. 5 93	300	92	92⅝	-0⅛	-0⅜	7.85
Portugal 5¾ 92	150	94⅝	95⅜	+0⅛	+0¼	7.92
Portugal 6⅝ 95	150	94¼	94⅞	0	-0⅝	7.83
Privatbanken 5¾ 93	150	91⅝	92⅜	-0⅜	0	8.19
Royal Insurance 5½ 92	300	95¼	95¾	+0¼	+0¾	7.68
Turkey 6½ 95	500	90⅝	91⅜	-0⅛	-0¼	8.64
Union Bk. Finland 5½ 94	200	90⅞	92⅜	0	+0⅜	8.10
World Bank 6 98	500	89	89⅝	+0⅛	+0¼	7.70
World BK. 6¼ 97	600	92⅞	92⅞	0	+0⅞	8.25
World Bank 6¾ 99	600	†94¼	94½	-0⅛	+0¼	7.59

Average price change... On day 0 on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†87	88	-0½	-1	7.46
Asfinag 5 03	100	†83	84	-0¼	-1⅛	6.90
B.F.C.E. 4½ 98	200	†85¾	86	+0¼	+0½	6.72
B.M.W.Fin.Neth. 5 13	150	†83½	84	0	-0⅛	6.35
Britannia B/S. 4¼ 94	100	†89	90	+1	+1⅝	7.06
CIR. Int. W/W 3 93	125	†87½	87¾	0	-0½	7.02
Credit Lyonnais 4¾ 00	100	†83	83½	0	-0¼	7.07
E.I.B 4⅝ 98	150	†84½	85½	-0¼	-0⅞	7.02
Finn. Exp. Cd. 8¼ 92	75	†100¼	100¾	-0⅛	+1⅛	8.02
Fletcher Chall. 4⅞ 98	150	†78	80	-1	-3	8.50
I.A.D.B. 6 2004	200	†94½	95	0	-0⅜	6.56
Kobe City 4⅝ 98	150	†85	85¾	+0⅜	+0⅛	6.99
Leeds Perm. B/S. 4⅞ 93	200	†88½	89½	+0⅜	+0⅜	8.02
Malaysia 5¼ 98	100	†80	80½	-0¼	+0⅞	8.60
Maxwell Comm.Crp. 5 95	150	†82⅜	84	0	+0½	8.95
Nat.Bk. Hungary 5½ 94	75	†85	86	0	-1⅞	9.25
Nationwide Ang.B/S. 4 93	200	†87¼	88½	-0⅛	-0⅜	8.12
Prov. Newfoundland 5 03	150	†82	83	-0⅛	0	7.00
Thailand 4⅝ 95	200	†80	81	0	+1½	9.26
World Bank 5 03	150	†84½	85	+0¼	+0⅛	6.74

Average price change... On day +0 on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	99¾	100	+0⅛	-0⅛	6.21
Canada 5⅝ 93	80	98⅛	98⅝	0	-0⅜	6.89
Eurofima 5 1995	20	94⅝	95⅛	-0¼	-0½	6.15
E.I.B. 4⅞ 93	30	96⅛	96⅜	-0¼	-0¼	6.19
Ireland 5⅛ 93	30	96	96⅜	-0⅛	-0⅜	6.43
Norway 5⅛ 95	50	96¼	96½	+0⅛	-0⅜	5.94
Sweden 4⅝ 93	50	95⅛	95⅝	0	-0¼	6.12
World Bank 5¼ 98	10	94¼	94¾	-0¼	-0⅜	5.99
World Bank 7 94	20	102⅞	103⅛	-0⅛	-0⅝	6.15

Average price change... On day -0 on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 10¾ 94 C$	150	97⅛	97¾	0	+0½	10.93
Abbey Nat. 11⅝ 93 £	100	96⅝	97⅛	+0⅛	+0⅞	12.87
Aegon 7⅜ 92 Fl	100	100½	101	0	-0⅛	7.84
Alg. Bk. Ned. 5⅜ 93 Fl	200	93	93½	0	0	8.19
Austria 7½ 94 ECU	100	93⅞	94⅜	0	+0¼	9.21
Barclays Aus.13½ 91 A$	100	98⅝	98⅞	0	+0¼	14.41
Belgium 8⅛ 94 Ecu	150	95⅜	95⅞	0	0	9.42
Bell Canada 10⅞ 04 C$	200	102⅞	103	+0¼	+0½	10.51
BP Capital 9¾ 93 £	100	92¼	92¾	+0⅛	+1	12.61
British Airways 10 98 £	100	89⅞	90⅛	+0¼	+0⅝	12.02
Brit. Telecom 9½ 93 £	150	92¼	92⅝	+0⅛	+0⅞	12.43
Comm.Bk.Aust. 12⅞ 93A$	100	†93¾	94¼	0	+0¼	14.90
Comm.Bk.Aus.13¼ 94 NZ$	60	†103¾	104⅛	0	-0¼	12.44
Credit Foncier 9 96 Ecu	100	98½	99	0	0	9.24
CrLocalFrance 9¼ 92Ecu	100	99⅜	99⅞	0	+0⅛	9.38
Deut.Bk.Aus. 13¾ 93 A$	125	†97⅜	97⅞	+0¼	+0⅜	14.19
Deutsche Bk.Fin. 15 94 A$	100	†103½	103⅞	0	+0⅛	13.84
Elec. De France 9¾ 99C$	150	96⅛	96⅝	+0⅛	+0¼	10.34
E.I.B. 7 96 LFr	100	—	—	—	—	—
E.I.B. 7¼ 99 Fl	150	94⅜	94⅞	0	-0⅛	7.93
E.I.B. 9 99 Ecu	150	99⅛	99⅝	0	+0⅜	9.09
Eurofima 7⅜ 94 Ecu	100	94⅜	95¼	0	0	9.13
Export.Dv.Crp.8¼ 92Ecu	100	98⅝	99⅛	0	0	9.26
Fed.Bus.Dv.Bk. 9 94 Ecu	100	98¼	98⅝	0	+0⅛	9.43
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97⅜	97⅞	0	0	10.84
Ferrv. Stato 7⅜ 93 Ecu	100	94	94½	0	+0⅛	9.76
Ford Cr.Can.10¼ 93 C$	100	†99⅛	99⅜	0	+0⅜	10.92
Ford Cred.Can.10⅞ 96C$	125	100⅜	100⅞	+0⅜	+0⅝	10.71
Ford Cred.Fund.10¼ 93£	60	95	95½	+0¼	+1⅛	12.34
G.M.A.C.Canada 11 3/4 94C$	100	102¾	103¼	+0⅛	+0⅜	10.81
Heineken 7⅝ 94 Fl	150	100⅜	100¾	0	-0⅛	7.73
Hydro-Quebec 11 99 C$	400	102⅞	103¼	+0⅛	+0⅝	10.46
Lloyds Bank 10¼ 98 £	150	90⅛	90⅝	+0⅛	+1	12.14
Lloyds Bank 11⅛ 98 £	100	93⅝	94	+0¼	+1⅛	12.57
Montreal Tst.10¾ 93 C$	100	†98⅝	99⅛	0	+0⅜	11.10
Nat. Aus. Bk. 14¼ 94A$	100	†99½	100	+0¼	+0⅝	14.79
New Zealand 9½ 93 £	100	91¾	92⅛	+0¼	+1⅛	12.51
O.E.K.B. 10¼ 99 C$	150	99⅛	99⅝	0	+0⅜	10.33
Royal Bk.Scot.10⅝ 98 £	125	92¼	92¾	+0¼	+1¼	12.14
Saskatchewan 10¼ 93 C$	200	98⅜	99	0	+0⅜	10.68
State Bk.NSW. 13⅞ 93A$	100	†97⅜	97⅞	+0¼	+0⅜	14.69
Sweden 7½ 93 Ecu	250	94⅜	94⅞	0	+0⅛	9.19
Sweden 15 94 A$	100	†102⅞	103¼	+0⅛	+0¼	13.95
Toyota Mtr.Cr.10⅛ 94C$	150	98¾	99¼	+0¼	+0½	10.58
Toyota Mtr.Cr 11⅜ 92C$	150	101⅛	101⅝	+0⅛	+0¼	10.63
World Bank 7⅛ 99 Fl	300	94⅜	95¼	0	0	7.88
World Bank 10⅞ 94 £	200	95¾	96⅛	+0⅛	+0⅜	12.01
World Bank 13⅜ 92 A$	100	†101⅞	102⅜	0	+0⅜	12.28
World Bank 14¼ 94 A$	75	101½	102⅛	0	+0½	13.66
Zentrspk. 13¼ 93 A$	75	†97½	98	+0½	+0⅞	14.00

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.78	99.83	24/01	15.21
Bank of Greece 99 US	0⅛	99.51	99.61	8/03	9¼
Belgium 91 US	0	100.12	100.22	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.78	99.83	28/02	15.31
Credit Foncier 98 US	.063	99.91	100.01	20/04	8.31
Dresdner Finance 99 DM	.031	100.07	100.17	28/01	8.16
EEC 3 92 DM	0	100.19	100.29	22/02	6¾
Halifax BS 94 £	.1	100.10	100.15	9/02	15.16
Invt. In Industry 94 £	0¼	99.95	100.03	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	15/01	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.83	99.88	29/12	14.94
New Zealand 5 97 £	.07	100.05	100.15	22/02	15¼
Northern Rock 92 £	0⅛	99.83	99.88	20/01	5¼
State Bk. Nsw. 98 US	.188	100.02	100.12	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.95	100.00	15/01	15.37
Woolwich 5 95 £	0⅛	99.96	100.01	22/02	15.31

Average price change... On day -0.01 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	†8/87	62.	118¼	119¼	-1	1.37
Amer. Brands 7¾ 02 US	9/87	56.7	119¼	120¼	-2	-0.52
CBS. Inc. 5 02 US	4/87	200.	96⅝	97⅝	-0¼	6.88
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	97½	98½	-0⅝	6.76
Primerica 5½ 02 US	4/87	66.75	73¼	74¼	-0⅞	81.15
Eng.China Clay 6½ 03 £	9/88	4.8	91⅜	92⅜	0	2.50
Fujitsu 3 99 US	5/84	1106.	206	207	+1	-3.27
Ladbroke 5¾ 04 £	6/89	7.1	102⅞	103⅞	+1⅛	121.07
Land Secs. 6¾ 02 £	6/87	6.72	89⅛	90⅛	+0⅛	14.55
Minolta Camera 2¼ 94DM	2/86	1004.	104⅞	106⅛	+0⅞	7.00
MCA Inc 5½ 02 US	9/87	69.62	101½	102	-0⅞	13.07
Mitsubishi Bk. 3½ 04US	5/89	3266.	95½	96½	+0⅛	2.83
Next Plc 5½ 03 £	11/87	4.3	95⅛	96⅛	+0¼	403.41
[illegible] Nipp.Bk. 2⅞ 03 US	4/88	804.	151	152	-1⅛	-1.77
Omnicom Inc. 6 1/2% 04 US	10/89	28.	103⅛	104⅛	+0⅞	17.23
Omron Tateisi 2⅞ 02 US	†4/87	1310.	276	277	-2½	-1.83
Ranks Hovis 4½ 03 £	1/88	3.5	119⅛	120⅛	0	-0.88
Redland 7½ 02 £	1/87	5.4	103⅛	104⅛	0	3.38
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	87⅛	88¼	+0½	62.60
Silicon Graphics 8 04 US	6/89	23.18	—	—	—	—
Sumitomo Bank 3¼ 04 US	2/89	3897.	86⅜	87⅜	-0⅛	2.77
Texas Inst. 2¾ 02 US	9/87	82.87	77⅜	78⅜	0	83.71
Utd.N'papers 8 04 £	10/89	8.77	120¾	121¾	-0⅛	122.33
W.R. Grace 6½ 02 US	9/87	47.12	90⅛	91⅛	0	29.77

* No information available-previous day's price

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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UK water companies unveil plans for funding

By Andrew Freeman

THE NEWLY-PRIVATISED UK water authorities yesterday announced plans to raise capital on the international markets to meet some of their investment funding requirements.

The bulk of the initial capital is in the form of loans from the European Investment Bank (EIB), the community's project lending operation. Five of the 10 water authorities have taken 15-year loans totalling £294m.

The EIB said the facilities were tied to projects involving investments to upgrade the quality and security of drinking water supplies and the capacity of sewerage services and sewage treatment to reduce pollution of rivers and beaches.

Before privatisation the water authorities arranged a series of credit lines with banks to satisfy share prospectus requirements for capital. They were expected to reorganise these credit lines to match their liabilities more effectively.

The distribution of the EIB loans is as follows: Anglian Water has a £15m facility, Wessex Water has £63m, Severn Trent has £100m, Yorkshire Water has £41m, and Thames Water has £75m.

Thames said the interest rate on its first £35m tranche would be 11.5 per cent per annum. It simultaneously announced its intention to raise further funds via a long-dated sterling bond issue early in 1990. The lead manager will probably be Credit Suisse First Boston, but no further details were available.

In addition, Anglian Water and Yorkshire Water announced £100m commercial paper programmes, both arranged by NatWest Capital Markets. The Anglian programme has a US dollar option, while Yorkshire's has a multi-currency facility. The programmes will be activated in the new year.

● Citicorp has arranged a $1bn Euro-commercial paper programme and a $1.5bn medium-term note programme for the New South Wales Treasury Corporation.

● Barclays de Zoete Wedd has arranged a $150m ECP programme for Pitney Bowes Finance, the US financial services company formerly called PB Leasing. Dealers will be BZW, Citicorp and CSFB.

Montedison in European paper deal

By John Wyles in Rome

ITALY'S Montedison has signed an agreement with James River of the US and Finland's Nokia to create a joint venture in the manufacture of domestic tissues and paper-based hygiene products with an estimated turnover next year of L1,800bn ($1.3bn).

The new grouping will be organised around a rather complicated system of cross-holdings based on three separate companies, which will bring together the owners' existing assets in eight Western European countries. The business plan aims at listings on several European markets and a turnover, within five years, of about $3bn.

James River, now the second largest producer of paper products in the world, and Saci, the Montedison subsidiary, will jointly own J. Mont Holdings which in turn will own 80 per cent of J. Mont NV. The remaining 20 per cent will belong to Nokia.

A second company, J. Mont Nokia, will be 50 per cent owned by James River and Montedison and 50 per cent by Nokia.

Although the companies will be registered in the Netherlands, their administrative headquarters will be in Brussels.

No cash will be involved in launching the joint venture which, in addition to Kaysersberg and British Tissue, will bring together names such as Unikay from Italy and Spain's Sarrio Tisu.

LSE to launch Seaq news service

By Richard Waters

LONDON'S Stock Exchange plans to launch a company news service next July for users of its Seaq International market, which covers 700 internationally traded stocks.

The service, to be sold commercially, will be available only on the exchange's Topic system and will be provided by VWD, a German news group.

It will carry general international news and news on the results, dividends and rights or scrip issues of all Seaq international companies.

INTERNATIONAL CAPITAL MARKETS

International regulators slow to tame the machines

Electronic systems could turn global trading into an amorphous monster, writes Deborah Hargreaves

After 4.30pm each weekday, when the London International Financial Futures Exchange's screen trading system goes into operation, Mr Stewart Percy has the command of millions of pounds worth of trades at his fingertips as he indulges in what seems an elaborate game of chance.

Mr Percy is one of the first traders at the Bank of Tokyo to use Liffe's Automated Pit Trading electronic system for conducting futures trades when the London market is closed. "It is fast and exciting, but takes a lot of concentration," he says as he watches APT's graphics switch colour when a trade is made.

Technology has crept to the very edge of most of the world's physical markets and is now eroding the futures industry's long-preserved but anachronistic way of trading by open outcry.

When the London Stock Exchange introduced its Stock Exchange Automated Quotations (Seaq) system to coincide with Big Bang in 1986, its hectic trading floor was deserted within weeks. Many critics of electronic trading fear the same will happen for those exchanges currently toying with the idea of screen trading.

Many physical exchanges will bow under the pressure of the inexorable march towards screen trading in the next decade as markets accept the sterility of an electronic system. In the move towards globalisation of the financial world, a black box is certainly an easier way for large institutions to use the market and is less expensive than maintaining a floor presence, particularly for an extended trading day.

The securities markets have, for some time, danced to the tune of computer-assisted trading strategies whereby large institutional customers move billions of dollars of portfolio money around the globe. In conjunction with the development of programme trading, institutional investors have demanded the swifter order delivery and execution that only an electronic system can supply.

But it is often the innovative derivatives markets that have led the way towards electronic trading, shaking their underlying securities markets out of a 19th century torpor and into the computer age.

In Switzerland, the Swiss Options and Financial Futures Exchange which has been trading for close to two years, has dragged the country's regional stock markets into a heated debate over whether they should be replaced by a national electronic exchange for trading equities as well as bonds.

The same dilemma is facing West Germany where the Deutsche Terminbörse is due to start up in January with electronic options trading technology it has purchased from the Swiss.

Japan, which has only recently developed a financial derivatives market, trades its now huge stock index and government bond futures contracts solely onscreen. The Japanese bond futures contract has attracted so much business in its short life that it has become the world's most heavily traded futures product by value.

Mr Quintin Price, head of options research at James Capel, says: "The Japanese markets show that a screen-based system is effective and demonstrates that it can work in large markets." The march towards screen trading is, however, not a smooth process and critics of the trend seize every opportunity to point to computerised system's deficiencies. Soffex's image as one of the world's foremost computerised exchanges was damaged earlier this year when the $40m Swiss options system failed for three days. Similarly, Brussels' status as a financial centre suffered a blow when its nascent Computer Assisted Trading System for equities closed for two days in October after being swamped by orders.

Mr David Morgan, who runs an independent trading firm at Liffe, laments the departure of open outcry for a system, "where people will be nothing but battery hens fixed in front of screens for all hours." Nevertheless, he expects most of Liffe's trading to have moved onscreen within the next five years.

A move towards electronic trading in the futures industry has been prompted by moves to extend the industry's global reach as international users look to offset their risk on a 24-hour basis.

The Chicago Mercantile

Exchange is leading the industry in its attempt to create a world franchise for its Globex screen system. Globex is an order-matching system for futures trades that will operate when the CME's trading floor is closed.

But the start-up of the system has been delayed several times and the exchange is now involved in discussions with its rival, the Chicago Board of Trade, on a merger of the two exchange's electronic initiatives.

The merger talks are focusing on an issue central to the debate on electronic trading in both the futures and the securities industry – the configuration of a screen market. The split is essentially between order-matching and market-making in both industries.

In the equities markets an increasing number of orders are being routed through automatic execution systems like the New York Stock Exchange's Superdot system, leaving the market-makers free to take on large orders.

As electronic systems increase markets' efficiency, small retail orders which make up the bulk of stock market activity will be routed through automatic execution, as is currently the case in New York.

Amid the proliferation of automatic execution and order-matching systems, brokers fear for their livelihood. Local independent traders in the futures markets certainly feel that their days are numbered.

This is why dealing screens are made available only to brokerage houses and not to customers and why some futures exchanges – most notably the CBOT and Liffe – have developed systems that require a trader's skill to operate. Nevertheless, brokers and trading intermediaries could see themselves squeezed out in the next decade as electronic systems give clients direct access to the market.

In the competitive financial world, established exchanges are not only competing between themselves for a slice of the global pie but also with over-the-counter markets, where technology gives the edge to a cheaper market.

Information companies such as Reuters and Telerate are already using their technological expertise to step beyond the bounds of their traditional data vending services. Reuters is soon to launch its Dealing 2000 system, which provides a fully automated arena for foreign exchange trading.

At the same time, Reuters has joined the CME in developing Globex under an agreement that divides the ownership between them for the next 12 years. It is uncertain which body will control the system after that.

Exchanges, information vendors and the OTC market are becoming linked in one large electronic market-place, with the boundaries between institutions ever more blurred.

As electronic trading allows markets to trade across national boundaries and in different time zones, international regulation will face the vast challenge of taming the amorphous monster the market could become.

As yet, regulators have done little to impose their rules on most electronic media and have still to co-ordinate a response between them. As institutional cash speeds round the globe, regulatory bodies will have to combine forces before the machines run out of control.

Treasuries cool over personal income rise

By Karen Zagor in New York and Deborah Hargreaves in London

US TREASURY bonds traded in a narrowly mixed range yesterday in spite of an unexpectedly strong rise in personal income in November.

At mid-session, the Treasury's bellwether 30-year bond was down ⅛ point at 103¼, yielding 7.84 per cent. At the short end of the yield curve, the three-year issue was ⅛ point higher for a yield of 7.66 per cent.

The Federal Reserve did not operate in the open market yesterday and Fed funds, the rate at which banks lend to each other overnight, changed hands at 8½ per cent, in line with the Fed's revised target for the funds.

Personal income increased 0.8 per cent in November, well above the 0.4 per cent most analysts had forecast. The gain was attributed mainly to a jump in rental income after the San Francisco earthquake in October.

GOVERNMENT BONDS

■ It was an erratic day for UK gilts yesterday as the market lurched into its usual seasonal torpor. In a thin market prices rose by several ticks in early trading to dwindle back by the afternoon with the long 9¾ per cent gilt closing up ⅜ at 95.23.

The gilts market was supported yesterday by a slightly firmer undertone which has been evident in the market for several weeks.

A renewed interest in UK gilts by foreign buyers is likely to entice some domestic investors back into the market next year.

EIB unveils Ecu60m deal

By Andrew Freeman

THERE WAS minimal activity in Eurobonds yesterday, though traders reported the likelihood of more league table deals before the year end.

IBJ International brought the only new issue of note, an Ecu60m deal for the European Investment Bank. It becomes fungible after January 15 1990 with the existing Ecu200m 9¼ per cent issue maturing in December 1999. The bonds were priced at 101½, and fees were 2 per cent, with a 1½ point selling concession. Proceeds were unswapped.

INTERNATIONAL BONDS

Yasuda Trust Europe was the lead manager of a Y3.5bn issue for Compagnie Bancaire. It matures on April 23 1993 and is priced at 101⅛, with 1¼ per cent fees including a 1⅛ point selling concession.

A three-month coupon of Libor flat becomes a 7 per cent annual coupon, and redemption is linked to the Nikkei average.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-05	+7/32	11.67	12.01	11.82
		9.750	1/98	95-23	+2/32	10.55	10.85	10.81
		9.000	10/08	94-16	-2/32	9.64	9.80	9.86
US TREASURY *		7.875	11/99	100-24	+5/32	7.76	7.80	7.84
		8.125	8/19	103-07	-1/32	7.84	7.87	7.91
JAPAN	No 111	4.800	6/99	94.1038	-0.665	5.76	5.45	5.42
	No 2	5.700	3/07	100.7006	-0.711	5.62	5.47	5.55
GERMANY		7.000	9/99	98.7000	+0.050	7.18	7.21	7.39
FRANCE	BTAN	8.000	10/94	93.4852	+0.126	9.74	9.63	9.68
	OAT	8.125	5/99	93.8200	+0.140	9.11	9.07	9.13
CANADA *		9.250	12/99	98.6000	-0.200	9.47	9.52	9.52
NETHERLANDS		7.250	7/99	96.5100	+0.180	7.77	7.75	7.84
AUSTRALIA		12.000	7/99	94.2436	-0.155	13.07	13.06	13.36

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Bankers resolve to drive settlement back to the back office

Andrew Freeman on moves to solve a problematic legacy of the 1980s

The stock market crash of 1987 brought settlement out of the back office into the boardroom. It has been there ever since.

Threatened by systemic failure, banks and securities houses suddenly realised the settlement disaster they had been courting in the heady days of the bull market.

As a result, the 1990s will see concerted efforts to ensure that settlement risks on cross-border trades are largely eliminated.

Success may be partial, but few involved in the planning have real doubts about their ability to improve the chronic 1980s experience.

An influential report on international settlement by the Group of 30, an informal grouping of leading figures in the financial markets, played an important role in persuading many local markets that they had to make efficient settlement their main goal in the 1990s.

Since the report's publication in March, initiatives around the world have attempted to build the framework for putting the Group of 30's recommendations into practice within the ambitious timetable laid down.

In some of the largest markets, interested parties have been spurred by the knowledge that they have a unique opportunity to create a modern settlement mechanism.

The main thrust of the various initiatives has been to remove the need for physical securities, the processing of which slows down settlement and presents a variety of risks. So-called dematerialisation is the holy grail of international trading.

The search is for an environment where a rolling settlement system is electronic, with simultaneous delivery of securities versus payment, trade matching and confirmation, easy stock borrowing and lending, and regular netting of trades and funds.

In spite of its lack of regulatory or legal authority, the Group of 30 has acquired great influence.

Nevertheless, individual markets cannot be bullied into making changes. It has become clear that competition between securities markets is driving progress.

Technology is the engine. In some markets, settlement procedures have barely changed since the 1960s, in spite of the revolution in computers and information technology. Dematerialisation, and the creation of centralised stock depositories, will finally use modern technology to its proper extent.

Improved settlement will allow banks and financial institutions more effective control over their exposure to markets. The danger of failed trades and counter-party risks will be greatly reduced.

While this is clearly motivated by banks' growing awareness of their need to safeguard their capital and minimise their risk, the side-effect of greater liquidity and transparency will benefit all participants, domestic and international.

It is unlikely that all markets will succeed in meeting the Group of 30's timetable for implementation of its recommendations.

Indeed, in some cases it appears that specific recommendations have been rejected because they conflict with existing systems or because they have been ruled unpracticable.

Nevertheless, bankers are exuding optimism. They see the 1990s as the decade when settlement will retreat to the back office, not because it has been marginalised, but because it has ceased to be the problem it has been in the 1980s.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday December 21 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Dec 20 Index No.	Tue Dec 19 Index No.	Mon Dec 18 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (204)	898.09	-0.3	12.87	4.83	9.52	30.71	900.42	898.94	904.75	766.12
2 Building Materials (28)	1071.83	-----	14.66	5.28	8.51	40.71	1072.06	1069.26	1075.87	927.96
3 Contracting, Construction (37)	1475.31	+0.4	14.74	5.24	7.83	56.19	1468.87	1463.95	1473.10	1452.83
4 Electricals (10)	2615.76	-0.7	10.33	4.76	12.17	84.46	2634.28	2635.66	2624.25	2257.25
5 Electronics (30)	1878.40	-1.2	9.78	3.99	13.15	52.19	1900.84	1894.36	1915.88	1746.62
6 Mechanical Engineering (53)	474.41	+0.6	12.21	4.84	9.98	16.44	471.69	470.69	473.38	403.67
8 Metals and Metal Forming (6)	471.93	-0.4	24.99	6.37	4.52	23.02	473.78	470.78	473.29	450.55
9 Motors (16)	375.41	-----	14.17	5.62	8.27	11.84	375.39	374.16	376.60	255.71
10 Other Industrial Materials (24)	1714.13	-0.6	9.65	4.42	12.20	55.27	1724.63	1730.88	1740.84	1290.48
21 CONSUMER GROUP (184)	1304.42	-0.5	8.72	3.51	14.35	33.79	1311.24	1302.93	1311.96	1008.00
22 Brewers and Distillers (23)	1524.26	-0.3	9.39	3.45	13.23	36.48	1528.25	1516.78	1527.52	1188.57
25 Food Manufacturing (20)	1135.62	-0.6	9.55	3.89	12.99	31.60	1141.97	1138.64	1145.50	911.34
26 Food Retailing (15)	2268.25	-0.6	9.20	3.22	14.34	52.06	2281.64	2254.12	2237.47	1764.43
27 Health and Household (14)	2659.53	-0.9	5.89	1.96	20.21	46.95	2683.02	2665.45	2695.03	1780.35
29 Leisure (34)	1639.41	-0.8	8.15	3.61	15.12	44.41	1652.48	1643.42	1657.30	1338.12
31 Packaging & Paper (14)	549.89	-----	12.80	5.24	10.44	18.37	548.99	547.46	550.79	514.95
32 Publishing & Printing (18)	3780.57	-0.2	8.95	4.65	15.48	121.48	3787.85	3766.61	3777.87	3196.65
34 Stores (32)	784.32	-0.3	11.22	4.77	11.61	25.98	786.54	779.31	788.77	675.61
35 Textiles (14)	517.56	-----	11.80	5.74	10.95	22.88	517.38	524.00	525.11	453.54
40 OTHER GROUPS (97)	1174.81	+0.3	10.65	4.54	11.30	39.90	1171.82	1164.24	1172.47	885.74
41 Agencies (17)	1539.67	-0.6	6.80	2.37	17.85	27.29	1548.83	1554.82	1590.02	1026.49
42 Chemicals (22)	1210.83	-1.4	12.53	5.29	9.39	47.73	1227.24	1222.68	1228.40	1007.05
43 Conglomerates (14)	1606.80	-0.2	11.37	5.37	10.29	68.81	1609.60	1606.61	1615.74	1236.03
45 Transport (13)	2283.04	+0.6	10.60	4.21	12.02	68.85	2268.93	2258.19	2273.66	1835.31
47 Telephone Networks (2)	1225.78	+1.7	10.36	4.18	12.55	38.54	1205.22	1182.89	1192.57	995.55
48 Miscellaneous (29)	1925.27	+0.2	10.46	4.78	10.73	65.42	1920.71	1915.26	1930.24	1169.24
49 INDUSTRIAL GROUP (485)	1176.37	-0.2	10.30	4.14	11.93	35.72	1179.80	1172.81	1180.86	926.81
51 Oil & Gas (15)	2380.50	-0.8	9.89	4.81	14.54	96.43	2398.58	2375.77	2379.67	1729.80
59 500 SHARE INDEX (500)	1276.84	-0.3	10.12	4.24	12.25	40.70	1280.69	1273.16	1280.94	994.25
61 FINANCIAL GROUP (120)	842.37	+0.1	–	5.03	–	30.41	841.59	834.41	839.85	666.98
62 Banks (9)	860.28	+0.3	20.06	5.84	6.55	36.37	857.59	853.92	866.87	659.78
65 Insurance (Life) (7)	1421.41	-0.2	–	4.67	–	47.56	1423.95	1400.55	1408.92	921.84
66 Insurance (Composite) (7)	739.65	-0.1	–	5.11	–	28.34	740.20	725.68	727.70	519.50
67 Insurance (Brokers) (7)	1152.46	+0.6	6.54	5.46	20.36	47.09	1146.10	1144.26	1150.49	982.77
68 Merchant Banks (11)	471.61	-----	–	3.66	–	11.59	471.75	472.02	475.33	320.30
69 Property (49)	1222.64	-0.2	7.44	3.51	17.01	30.32	1225.00	1215.04	1214.50	1190.74
70 Other Financial (30)	334.18	+0.6	12.63	6.46	10.99	15.82	332.20	332.41	332.35	341.15
71 Investment Trusts (69)	1281.18	-0.2	–	2.89	–	25.25	1283.49	1280.18	1290.24	989.22
81 Mining Finance (1)	727.53	-0.2	10.26	3.70	10.95	22.25	728.81	718.54	727.53	555.13
91 Overseas Traders (7)	1524.92	+0.1	9.86	5.38	12.65	60.11	1523.80	1505.40	1508.28	1256.38
99 ALL-SHARE INDEX (697)	1173.40	-0.2	–	4.32	–	37.79	1176.10	1168.64	1175.95	913.42

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 20	Dec 19	Dec 18	Dec 15	Dec 14	Year ago
FT-SE 100 SHARE INDEX♦	2353.0	-7.7	2361.1	2351.1	2360.7	2342.1	2358.5	2344.7	2367.0	1768.7

FIXED INTEREST

PRICE INDICES	Thu Dec 21	Day's change %	Wed Dec 20	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	116.84	+0.11	116.71	–	11.71
2 5-15 years	130.10	+0.14	129.92	–	13.88
3 Over 15 years	140.38	+0.05	140.32	–	13.96
4 Irredeemables	159.53	+0.33	159.00	–	13.66
5 All stocks	128.39	+0.12	128.23	–	13.32
Index-Linked					
6 Up to 5 years	141.04	-0.11	141.20	–	2.79
7 Over 5 years	140.51	-0.27	140.88	–	3.84
8 All stocks	140.43	-0.25	140.78	–	3.74
9 Debentures & Loans	106.15	-0.10	106.26	–	10.92
10 Preference	84.91	.....	84.91	–	6.39

AVERAGE GROSS REDEMPTION YIELDS		Thu Dec 21	Wed Dec 20	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.13	10.15	10.19
2	15 years	9.52	9.53	9.48
3	25 years	9.45	9.45	9.06
4 Medium Coupons	5 years	10.99	11.03	10.53
5	15 years	9.95	9.96	9.69
6	25 years	9.61	9.62	9.27
7 High Coupons	5 years	11.14	11.18	10.71
8	15 years	10.15	10.16	9.83
9	25 years	9.74	9.75	9.29
10 Irredeemables	†	9.60	9.63	8.93
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.85	3.81	3.69
12 Inflation rate 5%	Over 5 yrs.	3.61	3.59	3.76
13 Inflation rate 10%	Up to 5 yrs.	2.95	2.88	2.42
14 Inflation rate 10%	Over 5 yrs.	3.43	3.41	3.58
15 Debs & Loans	5 years	13.34	13.33	11.54
16	15 years	12.54	12.51	11.25
17	25 years	12.06	12.04	10.96
18 Preference	†	10.80	10.80	10.42

♦Opening index 2361.1; 10 am 2355.1; 11 am 2354.9; Noon 2351.7; 1 pm 2352.9; 2 pm 2352.4; 3 pm 2354.8; 3.30 pm 2355.1; 4 pm 2352.8
(a) 9.08am (b) 12.04pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	78	14	10
Corporations, Dominion and Foreign Bonds	9	6	26
Industrials	297	352	949
Financial and Properties	135	148	405
Oils	13	27	54
Plantations	1	0	9
Mines	29	48	83
Others	66	76	111
Totals	628	671	1,647

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
§75	F.P.	–	86	81	♦Air London 5p	86		R2.25	2.5	3.5	13.1
240	100	–	168	100	Anglian Water	154½	–½	R15.3	2.3	6.9	7.2
†	F.P.	–	98	53	Anglo-Park Grp. 25p	91		5.0	3.0	7.3	5.0
§100	F.P.	–	100	99	Anglo Scand.Inv. Units	99		N3.38	–	4.6	–
§	F.P.	–	27	26	Do. Warrants	26		–	–	–	–
–	F.P.	–	109	76	BTR Warrants 1993/94	99	–1	–	–	–	–
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Dec 18
- Last Dealings Jan 5
- Last Declarations Mar 22
- For settlement Apr 2

For rate indications see end of London Share Service

Calls in Tusker Res., Rosehaugh, Atlantic Res., Ferranti Intl., Ford, Seller Morris Props. Puts in Brent Walker, Sock Shop.

LONDON TRADED OPTIONS

ACTIVITY dwindled on the London Traded Options Market yesterday as a seasonal gloom permeated the market. Volume was at a low 19,356 contracts.

Most of the options business was concentrated in calls, with 13,807 lots changing hands against 5,549 puts.

Options traders were reluctant to take on positions yesterday when activity in the market was so sparse. With an early close scheduled for the LTOM today, options trades are expected to be thin on the ground as traders head home for the holidays.

Interest in the FT-SE 100 index option was low yesterday with only 3,085 lots trading. Of these, 2,050 were call options and 1,035 were puts. The busiest series was the December 2,300 call which traded 805 lots.

The busiest stock option was Cable & Wireless, where 1,452 contracts changed hands on reports that a Chinese investment body would take a stake in the company's Hong Kong telecom branch. Most of C&W's activity was focused on call options with 1,303 lots traded and only 149 puts. The busiest series was the January 550 call where 791 contracts traded.

Options in GEC were moderately active with 1,019 lots changing hands; these were divided between 508 calls and 511 puts.

Activity in call options for Thames Water was fairly high as the company's options traded at a premium to the water package for the first time since privatisation. Thames Water saw 926 calls traded and no puts. The busiest series was the March 140 call which traded 582 lots.

Other active stock options were Amstrad and Rolls-Royce. Amstrad traded 955 contracts, 678 of them calls and 277 puts. The September 40 call was the busiest series with a volume of 300 lots. Rolls-Royce options traded 824 contracts after news that the company had won a £5bn order.

The activity was divided between 464 calls and 360 puts, with the busiest series being the March 160 put which traded 350 lots.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*490)	460	75	92	98	4½	12	21
	500	13	35	67	23	31	40
	660	2½	14	–	63	65	–
ASDA (*113)	110	10	16	20	5½	10	11
	120	5½	11	15	11	15	17
Brit. Airways (*218)	180	42	50	54	1	3	4
	200	23	33	35	1½	5	8
	220	8	20	24	8	3	16
Storehouse (*107)	100	10	16	19	4	7	10
	110	5	11	14	9	12	15
Trafalgar (*335)	330	–	42	47	–	14	22
	347	16	–	–	14	–	–
Utd. Biscuits (*350)	330	28	37	45	3½	8	11
	360	8	18	28	12	21	22
Unilever (*699)	650	60	80	99¾	2¼	11¼	16½
	700	22¼	47	67¼	15½	29	34¼
[illegible]							

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Polly Peck (*389)	360	38	52½	64	4½	11½	15½
	390	17½	34¾	45¾	15	23¾	27¾
Thames Water (*150)	130	21	25	30	1	2	3½
	140	13½	16	21	3	4½	5½
	160	3½	7	11	13	13	14
Water Hldg Pkg (*£1483)	1450	75	120	155	30	45	50
	1500	50	90	130	60	70	80
	1550	30	60	95	90	95	105
[illegible]							

Nottingham acquires equipment competitor from Pergamon

Coats Viyella sells subsidiary

By Richard Tomkins, Midlands Correspondent

COATS VIYELLA, the textiles group rebuffed in a bid for fellow textiles company Tootal earlier this week, yesterday agreed to sell off the Nottingham Group, its schools and hospitals equipment subsidiary, to a management buy-out for £27m cash.

At the same time Nottingham is to buy its main competitor, Leeds-based EJ Arnold, from Mr Robert Maxwell's Pergamon AGB. The combined deals, together with an injection of working capital, will cost more than £30m.

Nottingham, which employs 314 people at its base in West Bridgford, is being sold in line with Coats Viyella's policy of concentrating on its core textile and clothing activities.

Its main activity is distributing educational equipment and toys to schools, but it is also involved in supplying rehabilitation equipment to the elderly and infirm through hospitals and social service units.

The company was founded in 1900 as a leather merchant to the East Midlands footwear industry: in the 1940s it started supplying leather off-cuts to hospitals for use in craft work sessions conducted by occupational therapists for the war wounded.

From there the company diversified into the supply of other handicraft materials, including haberdashery and thread, to schools. It was subsequently taken over by Coats Patons, the thread and textiles group, which was in turn taken over by Vantona Viyella to form Coats Viyella in 1986.

The buy-out and acquisition has been arranged and underwritten by 3i and Citicorp Venture Capital, which have together committed £14m of equity capital. In addition, 3i is committing £6m of mezzanine loan capital, and Royal Bank of Scotland is putting up £16.5m worth of loan facilities.

Nottingham's takeover of Arnold is unlikely to raise monopoly issues because the two companies will have less than 10 per cent of a fragmented market.

The transaction is the second in the industry in the last few weeks. At the beginning of December Hestair, the personal services and consumer products group, agreed to sell Hestair Hope, its mail order educational supplies and personal stationery subsidiary, to Fine Art Developments, the greeting cards and mail order group.

AFI director quits after three months service

By Andrew Hill

ONE OF Amalgamated Financial Investments' two new non-executive directors has resigned, less than three months after being appointed to strengthen the investment company's depleted board.

In a statement, Mr Robin Andrews, who raises finance for small companies involved in mineral resources and was to be paid £10,000 a year, said the time required to do the job effectively was greater than he had expected.

Three dissident AFI shareholders saw their long-running efforts to gain seats on the group's board thwarted at a special shareholders meeting a month ago. They had criticised the investment strategy of Mr John Scholes, AFI's beleaguered chairman and largest shareholder.

At the preceding annual meeting, Mr Andrews, who used to work in investment banking, had given his reasons for joining the board.

"I had admired what John [Scholes] had been trying to achieve here in the last year and felt that I might be able to help him in some way," he said then.

Mr Andrews and Mr Scholes were unavailable to comment yesterday, but another non-executive, Mr Ellsworth Donnell, said: "We are a small board and I think that perhaps there is more call on directors' time than there is on some larger boards."

Mr Donnell said there was no connection between the resignation and AFI's announcement three days ago that it had invested £2.4m in Sacramento Resources, a holding company with gold mining interests in north and south America. AFI, which already owns 2 per cent of Anglo Bolivian Resources, another minerals company, will control $1.6m of bonds and just under 50 per cent of Sacramento's equity.

AFI is holding another EGM next Thursday to gain approval for the purchase of up to 6m shares, or 13.5 per cent of the issued capital.

BET outlines the logic of its agreed £192m bid for Hestair

By John Ridding

BET, the acquisitive business services group which has made an agreed £192m bid for Hestair, yesterday outlined the logic it sees in expanding into the personnel services field.

Since the announcement of the bid, BET's shares have fallen from 277p to 255p, reflecting concern that the group is moving too quickly into another service field, that it will place an extra burden on the group's balance sheet and that it may become involved in an auction with Adia, the Swiss services group which has made a £167m bid for Hestair.

But in its formal offer document which has been sent to shareholders, BET argues that employment services will be one of the fastest growing service sectors and that Hestair's businesses fit well with its existing activities.

It claims that there is a large overlap between its own and Hestair's customers and that it has expertise in exploiting fragmented markets. Currently, the five largest employment agencies account for only about 23 per cent of the UK market.

BET, which has been researching the market for over a year, believes that Hestair is attractive because of the broad spread of its personnel businesses and the fact that about two thirds of its business is related to temporary rather than permanent staff placements.

Agencies such as Reed Executive, which have a relatively high proportion of permanent staff, have suffered more severely from the current slowing in the market.

With respect to the financial effects of the offer, BET revealed yesterday that total group borrowings amounted to about £314m at the beginning of December. If the cash offer is accepted in full gearing will increase from about 40 per centper cent to between 60 and 70 per cent.

However, gearing can be reduced by the issue of £140m of US preference shares. There is also scope for raising funds through the disposal of Hestair's non-core business. About £25m has already been raised through the recent sale of two of its consumer products businesses.

BET has received undertakings to accept its offer from Hestair's board, representing about 1.1 per cent of the total shares.

Adia, which recently extended its offer, controls about 6.5 per cent of Hestair's shares, which were unchanged yesterday at 334p, compared with BET's cash offer of 329p and Adia's cash offer of 332p per share.

Ex-Lovell director attacks bid

By Jane Fuller

A FORMER director of YJ Lovell, the building company, has attacked its £137m hostile bid for Higgs and Hill.

Mr Peter Davis, who retired from the Lovell board in June 1988, has written to shareholders in both companies saying that the bid is unwise, would dilute Lovell's earnings and overstretch its resources.

He says hostile bids are inappropriate in the construction and property development sectors because of potential damage to relationships between senior management and clients.

"I do not consider a hostile bid to be a sensible way to position Lovell for the 1990s."

Control Techniques expands

By John Ridding

CONTROL Techniques, a manufacturer of electronic variable speed drives, is expanding its presence in West Germany through the acquisition of Labod, a private company, for about £4.52m.

The purchase gives Control its first manufacturing base in West Germany, Europe's largest market for variable speed drives and servo drives, which are used to regulate the rotational speed of machinery.

Control said that the acquisition provided the best way of developing its presence in Germany. It added that the costs of setting up its own marketing and manufacturing operation would be high and the lead time before achieving a satisfactory level of sales would be considerable.

Labod, which was founded by the the vendor, Mr Peter Labod, who is retiring, designs, develops and manufactures DC electronic drives. Its customers cover a broad range of industries, but it is particularly strong in the machine tool industry.

This year it has shown a sharp improvement in profits and margins. In the ten months to the end of October it reported pre-tax profits £1.5m on sales of £10.4m, compared with £700,000 and £10.6m respectively for 1988.

According to Control Techniques, the improvement has been achieved despite two years of low levels of investment in the business and reflects the significant upturn in the West German drive market.

Labod has warranted pre-tax profits of £1.6m for 1989 and net assets of £645,000 at the year end.

Control said that the combination of the two businesses should provide opportunities for product rationalisation and allow its own range of products to be introduced directly into the German market. Its products are currently sold under a distribution agreement with AEG, which will continue after the acquisition.

The acquisition is being financed through the placing of about 2m new shares with institutions at at 202p each. Control's shares were unchanged yesterday at 218p. The balance of £461,000 will be paid in cash.

£12m buy for DC Gardner

By John Ridding

DC GARDNER, the USM-quoted financial training concern, yesterday announced that it was paying £11.9m to acquire ATC Group, which provides courses for accountancy examinations, and said that it was applying to move up to a full stock market listing.

The purchase of ATC, which has training centres in several English cities, will complement Gardner's existing chartered accountancy and residential training activities and make it one of the leaders in the UK market.

Part of the reason for the move is the current concentration within the accountancy profession.

Gardner said that "in view of the recent mergers of major accountancy firms we believe that accountancy tuition companies will need to be substantially larger than CFL (the group's existing business) in order to compete effectively."

Following the acquisition, ATC will be merged with CFL and will trade under the name ATC Chart.

In the year to the end of June, the ATC group reported pre-tax profits of £1.3m on sales of £6.5m. Net assets at the end of the period stood at £2.1m.

Gardner will finance the acquisition via a combination of new ordinary shares, convertible preference shares, loan stock and cash.

The bulk will be raised through the issues of shares — £5.5m will come from the new ordinary shares.

GUS joint deputy chairman quits at 76

Mr Harold Bowman, joint deputy chairman of Great Universal Stores, is retiring from the group. The company said his departure was for "reasons of age and ill-health". Mr Bowman is 76 and has been a director of the group since 1971.

British Land meeting cut short

By Nikki Tait

ONE OF the shortest shareholder meetings of the year took place yesterday as British Land, the property group headed by Mr John Ritblat, formally convened the gathering due to approve its controversial restructuring proposals, and then announced that the motion would not be put.

British Land had said on Wednesday that it would be taking this course of action in the wake of opposition from "a significant minority of shareholders".

Press were initially to be barred from the meeting, although appeals to Mr Ritblat produced a more seasonal attitude. In the event, there was no surprises. Some half dozen shareholders who turned up at London's Churchill Hotel — a convenient stone's throw away from Oxford Street for last minute Christmas shopping — heard Mr Ritblat describe the whole affair as "a most interesting transaction" and a "technical tour de force".

Northumbrian Fine Foods cuts loss to £92,000

A sharply increased interest charge prevented Northumbrian Fine Foods returning to the black in the six months to September 30. However this USM-quoted company did manage to cut losses at the pre-tax level from £162,000 to £92,000.

Northumbrian, which manufactures biscuits and other foods largely for the health food sector, lifted gross profits in the half to £794,000 (£539,000).

Administrative costs were down at £312,000 (£341,000), but interest payable increased to £312,000 (£89,000).

Losses per share were trimmed to 1.2p (1.8p) and the interim dividend is unchanged at 0.75p.

Mr Richard Adams, chairman, said that, with interest rates at their present level, current trading continued to be frustrating, though sales were increasing.

Dispute leaves West Selection sharply lower

Pre-tax profits at Western Selection, the investment finance company, fell heavily from £2.45m to £639,000 in the 12 months to the end of September.

Directors said that as they warned at the interim stage, an industrial dispute had seriously affected the second half.

Turnover improved to £16.42m (£15.88m) but depreciation was higher at £529,000 (£357,000), the net interest charge was £492,000 (£166,000) and there was no exceptional income this time, against £518,000.

Net assets per share, however, rose to 83.06p at the end of the period, against 80.3p a year earlier.

Earnings per share were 3.16p (10.9p) and a final dividend of 0.3p (2p) is proposed for a total payment of 2p (3.7p).

No future for Metal Closures says Wassall

By Andrew Hill

Wassall, the mini-conglomerate with interests in luggage and office furniture, yesterday claimed Metal Closures Group, for which it is bidding, recognised that it had no future as an independent company.

MCG, a packaging and printing company, issued a statement on Wednesday which seemed to indicate that it was seeking a white knight to rescue it from the £45.4m hostile bid, although it added that no proposals had been put to the MCG board.

MCG shares slipped 1p to 180p yesterday, against Wassall's cash-and-shares offer which is still worth 176p. Some 29.9 per cent of MCG's equity has already been committed to the Wassall cash alternative of 160p by Suter, the industrial holding company which owns the stake.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Bankers' Inv Tst	fin	0.66	Feb 28	0.55	2.31‡	1.92
GPG	fin	nil	-	0.64	0.22	1.74
Noble Raredon	fin†	0.1	Apr 27	-	0.1☆	1.33
Northumbrian Fds	int	0.75	-	0.75	-	1.5
Western Select	fin	0.3	-	2	2	3.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Total of not less than 2.64p forecast for current year. ☆For 17 months.

GPG reduced to $21m

REDUCED pre-tax profits of $21.38m (£13.3m) compared with a previous $37.1m were announced by GPG, the rump of the Guinness Peat Group, for the year to September 30.

Turnover amounted to $30.6m ($19.96m) and net operating profits of continuing businesses rose to $5.25m ($3.3m) arising from a significant improvement in central costs.

The taxable result was after lower net interest payable of $1.98m ($11.81m).

Earnings fell from 8.59 cents to 5.34 cents. The directors are recommending omitting the final to leave a total for the year of 0.22p (1.74p). There was an extraordinary credit of $46.09m compared with a $4.29m debit.

GPG is 61 per cent owned by creditor banks of Equitcorp of New Zealand.

Aviva Petroleum plans £15.2m rights

Aviva Petroleum, the independent oil exploration company, is planning to raise £15.2m through a one-for-two rights issue at 18p to fund work in Colombia.

An estimated £7.6m will be spent on the development of an area which recently yielded encouraging results from a test well.

The remainder of the money raised will be spent on exploration wells in the area.

legrand

LEGRAND AND B.TICINO: A SIGNIFICANT STEP FORWARD

LEGRAND and B.TICINO are to strengthen their association, entered into in June 1989. LEGRAND is to acquire the B.TICINO shares still held by outside interests.

With operations in 27 countries, the new group will report consolidated sales of almost 9 billion francs (US $ 1.5 billion) in 1989, spread geographically as follows:

- France: 43%
- Italy: 23%
- Rest of the world (including America and Europe): 34%.

The Group employs 18,000 people and capital expenditures will exceed 700 million francs (US $ 115 million) this year.

B.TICINO and LEGRAND will build on their complementary technological, geographic and marketing strengths to expand worldwide, while preserving their respective corporate cultures.

FINANCIAL INFORMATION: O. BAZIL, G. SCHNEPP ☎ (1) 43.60.01.80 (FRANCE)

MMC clears both offers for Myson

By Clare Pearson

THE MONOPOLIES and Mergers Commission's clearance of two takeover offers for Myson Group, the boiler and radiator manufacturer, raised few eyebrows yesterday.

In pure terms of percentage of the domestic market, both possible fates for Myson — a merger with Blue Circle Industries, the cement and home appliances concern, or Yale and Valor, the security and home products group — would appear to give the enlarged group a commanding position in terms either of gas boilers or of gas fires.

But the MMC has decided that in neither case would that add up to a potentially exploitative position — thus falling into line with a view generally held in the industry and the City.

As one analyst summed it up yesterday: "It's so obvious how competitive and fragmented these markets are, I'm mainly surprised the MMC has taken since the beginning of September to work it out."

Of the two, clearance of Blue Circle's bid seemed the more problematic.

The MMC's decision in this case also looks to be the more significant, since Blue Circle seems more much likely to renew its offer, now that clearance has been obtained, than does its rival.

Yale & Valor failed to improve its offer of convertible preference shares and cash, worth about £180m when launched in July, after Blue Circle moved in with a rival £195.7m early in August.

In its report on a Blue Circle/Myson union, the MMC places most weight on competition between the different kinds of products available in the gas boiler market, and particularly on import penetration.

It says its main concern was that the merger would reduce the five main suppliers of gas boilers to four, with the merged group having a significantly larger share of the market (at nearly 30 per cent) than the rest.

In the case of wall-hung boilers, it would command as much as 42 per cent of the market.

But "it is clear...that there is much competition between different types of gas boiler," the report concludes.

Arguments thought to have been put to the MMC by Blue Circle concerning the inroads made by foreign competitors into the domestic market appear to have been effective. The report notes the strong position of manufacturers in other European Community countries in one of the submarkets, that for combination boilers (which heat water directly without the need for a hot water tank).

Demand for these types of boilers in the UK has been suchthat imports have come to account for some 10 per cent of the total market.

Of the two, clearance of Blue Circle's bid seemed the more problematic. The Commission's decision in this case also looks to be the more significant, *since Blue Circle seems more much likely to renew* its offer, now that clearance has been obtained, than does its rival, Yale & Valor.

As far as methods of distribution are concerned, the MMC notes that gas boilers are typically distributed through merchants, "a number of whom are substantial nation-wide businesses with a good deal of bargaining power". Together with the role in the market of the many installers, this would make it difficult for a merged group to exploit its market position, it concludes.

The role of British Gas, which sells through its showrooms about three-quarters of all traditional gas fires, was central to its decision to clear the Yale & Valor/Myson merger proposal, the MMC says in its report on this union.

In its referral, the Office of Fair Trading had expressed concern that such a merger would create an entity bestriding about 85 per cent of the £160m gas fire market; of the competitors, none has a market share of more than 15 per cent.

But the MMC has decided that, because of the position of British Gas, this commanding position is not as powerful as it seems. "It is in the strong interest of British Gas both as a retailer and the sole supplier of the fuel to purchase gas fires on the most favourable terms," the MMC concludes in its its report on the merger.

Additionally, it says it has taken into account the fact that there do not seem to be significant barriers to entry into gas fire manufacture.

It adds that in recent years the decorative flame effect fire, which neither Yale & Valor nor Myson currently produce, has expanded at the expense of the traditional fire. A decision by British Gas to market such fires will no doubt encourage this trade, the MMC says.

Monopolies and Mergers Commission reports on the proposed mergers between Blue Circle Industries and Myson Group and Yale & Valor and Myson Group. HMSO £5.10 each

There's plenty we don't tell disabled people in our care.

We don't tell them where to live.

We don't tell them what to wear.

We don't tell them what to eat.

We don't tell them what time to go to bed or get up.

We don't tell them what risks to take.

In fact, whether we're helping in their own homes, or one of ours, we say nothing that could in any way infringe on the basic human right to choose what to do, and when to do it.

For more details about our work please telephone or write to us at the address below.

The Red Feather can use all the help it can get.

THE LEONARD CHESHIRE FOUNDATION

26-29 MAUNSEL ST., LONDON SW1P 2QN. 01-828 1822.

NOTICE OF EARLY REDEMPTION

The Kingdom of Denmark

US$ 100,000,000 13% Notes due 1992
(the 13% Notes)
with 100,000 Warrants to subscribe
US$ 100,000,000 12¾% Notes due 1992
(the 12¾% Notes)

In accordance with paragraph 5(b) of the Terms and Conditions of the 13% Notes, notice is hereby given that the Kingdom of Denmark will redeem, at par, on January 31, 1990, all the 13% Notes remaining outstanding (i.e. US$ 4,000,000).
Payment of interest due on January 31,1990 and reimbursement of principal will be made in accordance with the Terms and Conditions of the 13% Notes. Interest will cease to accrue on the 13% Notes as from January 31,1990.

Luxembourg, December 22, 1989

The Fiscal Agent
Kredietbank S.A. Luxembourgeoise

Temple Court Mortgages (No. 1) PLC

£175,000,000

Mortgage Backed Floating Rate Notes 2029

The rate of interest for the period 20th December, 1989 to 30th April, 1990 has been fixed at 15⅛ per cent. per annum. Coupon No. 1 will therefore be payable on 30th April, 1990 at £551.82 per coupon.

S. G. Warburg & Co. Ltd.
Agent Bank

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN HITACHI LIMITED

EDR holders are informed of a dividend to holders of record date September 30, 1989. The cash dividend payable is Yen 4.8 per common stock of Yen 50.00 per share. EDR holders may now present Coupon No. 13 for payment to the undermentioned agents.
Payment of the dividend with a 15% withholding tax is subject to receipt of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving benefit of the reduced withholding rate. Failing receipt of a valid affidavit Japanese tax will be deducted at the rate of 20% of the gross dividend payable. The full rate of 20% will also be applied to any dividend claimed after April 30, 1990.

EDR Denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1 share	$0.030938	$0.026297	$0.024725

Depositary:
Citibank, N.A.
336 Strand, London, WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Therese

December 22, 1989

GLOBAL GOVERNMENT PLUS FUND LIMITED
Offer to purchase

Global Government Plus Fund Limited announced today that a total of 1,664,998 common shares representing approximately 11% of its outstanding shares has been tendered pursuant to the offer dated November 6, 1989 and which expired on November 27, 1989, made by the Company to purchase up to 25% of its outstanding common shares. Subject to the terms and conditions of the offer, the purchase price payable for each common share tendered and accepted by the Company for payment will be the net asset value of the Company on December 19, 1989 divided by the total number of issued and outstanding common shares.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
BRUSSELS OFFICE, AS DEPOSITARY

UK COMPANY NEWS

Internal takeover talks at Gartmore Information

By Nikki Tait

GARTMORE INFORMATION & Financial Trust, an investment trust which specialises in investments in the financial and information services industries, said yesterday that it was in discussions which might lead to an offer being made for the group.

The announcement came as a surprise to some analysts and Gartmore itself declined to elaborate on the talks. However, the discussions are thought to centre on an internal restructuring deal orchestrated by the trust's managers themselves, rather than an approach from an external, third party.

Shares in GIFT yesterday gained 3p to 51p. County NatWest Wood Mackenzie currently estimates net assets per share at GIFT to be about 58.1p.

The track record of GIFT has been particularly poor during the past five years, with estimated net assets per share currently showing a 16 per cent drop from the 1984 level. Between 1984 and 1988 the net asset value performance has also consistently fallen well below that of the All-Share Index.

Gartmore has already made some moves to restructure other trusts in its stable – including the split level reorganisation at Meldrum Investment Trust in April this year – prompting thoughts yesterday that, given the record, GIFT could be the next in line.

The trust also has a formidable list of institutional shareholders – including the likes of the Prudential, Standard Life, Sun Life and Legal & General – some of which are known to be keen on exiting from the investment trust sector when the terms are right.

The fund managers denied that the timing of the possible offer discussions was in any way related to the overall situation at Gartmore itself. The fund management company has been put up for sale by British & Commonwealth, its parent group.

Wiggins warns of interim downturn

By Nikki Tait

WIGGINS, the property development and housebuilding group with significant interests in London's Docklands, has joined the lengthening list of companies issuing profits warnings as a result of the current economic squeeze.

Wiggins said that "as a result of high interest rates experienced for most of this year, the poor housing market and the seasonal demand for tax-based investment opportunities in Docklands" the half-year results to end-September would be "substantially below" those posted in the same period a year earlier.

In the six months to end-September 1988, Wiggins made pre-tax profits of £3.82m.

Yesterday's news sent Wiggins shares 7p lower to 66p, having been 63p at one stage. They have proved a volatile ride in recent years, recently slumping from about 270p in early-1989 to current levels.

Wiggins said that, given the proximity of the results announcement, it was unable to elaborate further on the statement. Last year, it announced the interim figures in late-November: this year, however, they are expected in mid-January.

The company added that construction work on its Docklands developments – which comprise a hotel building and 300,000 sq ft of small business apartments – was still on schedule.

"Negotiations for the sale of the hotel development are at an advanced stage," it commented, "but, pending completion of the sale, the outcome for the full year is uncertain."

In the last full year, Wiggins' housebuilding interests contributed the bulk of its £7.75m pre-tax profits total; the division made £6.65m before tax. Property development added £1.5m and the sale of investment properties accounted for £922,000. Wiggins' motor interests were sold in January to Williams Holdings.

Air Call agrees to buy-out bid

By Nikki Tait

AIR CALL (Holdings), principally involved in wide area paging and the operation of deputising services for doctors, yesterday announced that it was recommending a £41.4m bid from its management.

Air Call, which once traded on the USM, was taken private via a management buy-out in 1986, although its shares are still traded under the Stock Exchange's matched bargain facility.

At the same time, Bell South, the US group, acquired a 40 per cent interest in its Air Call Communications subsidiary. However, further restructuring has taken place, and the remaining 60 per cent of ACC was sold to Bell South earlier this year.

In November, Air Call announced that it was in talks which might lead to a bid.

Members of the management buy-out team, which is making its offer through a newly-formed company called Healthcall, said that their initiative was triggered by the fact that various possible approaches were known to be under consideration.

The terms of the offer are 585p cash and 525p nominal of loan notes, although these proportions can be varied to the extent that there are other compensating elections. Air Call shares were last traded at about 825p in August.

An institutional consortium – led by Electra Kingsway and including 3i, Electra Investments, Intermediate Capital Group, and Bank of Scotland – is providing the funding for the deal.

£8m expansion for Johnston Press

JOHNSTON PRESS, a publisher and printer of weekly newspapers, is to purchase Dunn & Wilson, a Leeds-based library supplier and book conservationist, for £7.7m in cash and shares.

Since its flotation in April 1988, Johnston has bought several paid-for and free weekly newspapers. Directors said that Dunn & Wilson provided it with an excellent opportunity to further enhance earnings and build a broader base.

The offer – three new Johnston ordinary and 550p cash for each Dunn & Wilson share – values the latter at £10 per share, and will involve the issue of up to 2.19m new Johnston shares. Any consideration not satisfied by the issue will be satisfied in cash from Johnston's own resources.

Irrevocable undertakings have been received in respect of some 50.6 per cent of the voting capital.

Dunn & Wilson shareholders are able to vary the mix of the offer and may elect to receive loan notes instead of cash for an aggregate minimum of £500,000. The loan notes will be guaranteed and will pay interest at an annual rate of 2 per cent below six-month LIBOR. An offer has also been made to holders of the preference shares on a one-for-one basis.

The acquisition is conditional upon approval of Johnston shareholders, which will be sought at an EGM in January. In the year to end-September Dunn & Wilson made pre-tax profits of £1.07m.

NEWS DIGEST

Wider client base fails to lift Total

TOTAL SYSTEMS, a supplier of computer software, yesterday unveiled a further contraction in taxable profits at the interim stage.

In the six months to September 30, the USM-quoted group achieved profits of £39,865 – down from the £51,996 of the corresponding half.

Mr Terry Bourne, chairman, said the fall reflected "difficult conditions" under which certain sectors of the software industry were trading.

The group, which previously concentrated on custom software for financial services companies, has broadened its client base and now undertakes work for local authorities and commercial users.

However, order values were lower, he said, and had not yet shown the expected improvement.

Turnover declined 21 per cent to £860,474 (£1.09m). After tax of £10,634 (£14,250), earnings dipped from 0.37p to 0.29p per 5p share. There is no interim dividend.

Bankers' Inv Trust nav improves 19%

A 19 per cent increase in net asset value was yesterday reported by The Bankers' Investment Trust.

After deducting prior charges at par, the figure at October 31 was 106.8p per share, against 89.9p a year earlier.

Net revenue for the year amounted to £4m (£3.26m) and earnings per share expanded some 23 per cent from 2.07p to 2.55p, a rise attributed to uniformly strong growth in UK dividends and higher levels of interest received on cash balances in the latter part of the year.

A fourth interim dividend of 0.66p lifts the total for the 12 months to 2.31p (1.92p). A minimum total dividend of 2.64p is forecast for the current year.

Sharp increase at London Wall

London Wall Holdings, the holding company with interests in subsidiaries acting as Lloyd's underwriting agents, achieved a sharp increase in profits in the year to September 30, "exceeding the company's best expectations". From £664,000 last time, taxable profits rose to £2.36m on turnover almost trebled from £2.16m to £6.17m.

At the operating level, the company, which is traded on a matched bargain basis, made £2.92m (£656,000). Mr Robin Warrender, chairman, said that the improvement partly derived from the inclusion of the results of the companies acquired during the year.

"Although profit commission from the 1986 underwriting account was not as high as the market originally expected, it has still proved to be an exceptional year," he added.

Earnings per share came out at 35.1p (11.4p) before amounts written off goodwill and 23.7p (7.9p) after.

The final dividend is a proposed 5p (4p) to make 8p (4p) for the year.

AMI Healthcare up 16% in first quarter

AMI Healthcare Group, the UK's largest quoted private medical company, announced a 15.7 per cent increase in pre-tax profits from £5.71m to £6.6m in its first quarter to November 30.

Turnover rose to £36.32m (£32.2m), generating operating profits of £6.85m (£6.16m). After tax of £2.44m (£2m) earnings per 20p share were 6.3p (5.6p).

Last month AMI, the company's US parent, announced it was putting its 65 per cent stake in AMI Healthcare up for sale, following the takeover of AMI by IMA Holdings.

Substantial rise to £2.04m at Batleys

Batleys, the cash-and-carry wholesale chain which family shareholders want to take private, achieved a substantial increase in pre-tax profits from £521,000 to £2.04m in the 26 weeks to October 28.

The company said that it benefited from considerable stock appreciation profits, particularly on cigarettes, as a result of inflationary price increases by suppliers.

It has also had no new warehouse openings for more than 12 months, thus avoiding start-up costs and initial trading losses.

Turnover grew to £181.33m (£155.5m) with operating profits at £2.57m (£1.03m).

Earnings per share advanced to 9.68p (2.1p), but the interim dividend is unchanged at 0.5p.

Notice of Redemption

European Economic Community

£50,000,000 11⅞ per cent. Bonds 1991

NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions of the Bonds, Citibank, N.A. as Principal Paying Agent, has selected by lot for redemption on February 1, 1990 £9,376,000 principal amount of said Notes, at the redemption price of 100% of the principal amount thereof. Notes selected by lot for redemption are as follows:

Outstanding Notes bearing serial numbers ending in any of the following two digits:

03	11	13	16	17	19
24	28	34	35	57	59
61	62	69	72	75	87
88					

Also the bonds bearing the following serial numbers:

289	689	789	1689	1889	1989	3689	3989
5089	5389	5689	5789	5889	5989	6189	6489
6689	6889	7289	7389	7789	8189	8489	8589
8889	9389	9489	9889	9989	10089	10189	10489
10689	10889	11489	11589	12589	12989	13189	13389
13589	13689	13789	13889	14889	15089	15189	15289
15389	15889	16189	16489	16589	16989	17189	17289
18189	18689	18889	19489	19689	20189	20289	20489
20989	21489	21889	21989	22089	22189	22289	22489
22689	22889	24089	24389	24489	24889	25089	25289
25789	26089	26189	26289	26689	26789	27289	27589
28089	28389	28789	28889	29289	29389	29689	29789
29889	30389	30789	31289	31489	31589	31689	31789
31989	32189	32289	32989	33489	34589	34689	34789
34889	35289	35789	36189	36289	36389	36489	36689
36789	36889	36989	37389	37589	37889	38089	38189
38289	38389	38589	38689	38789	38989	39089	39289
39689	40089	40589	40689	40789	40889	41389	41989
42389	42589	42689	42989	43589	43689	43989	44489
44689	44789	44889	45189	45289	45789	45889	46189
46689	46789	46889	47289	47389	47489	47989	48189
48489	48889	49189	49289	49889			

Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on February 1, 1990 should be detached and presented for payment in the usual manner. On and after February 1, 1990 interest on the Bonds will cease to accrue and unmatured coupons will become void.

Outstanding after February 1, 1990 £10,000,000.

December 22, 1989
By: Citibank, N.A. (CSSI Dept.)
London, Principal Paying Agent

CITIBANK

MAES Funding No. 1 PLC

MAES

£200,000,000
Mortgaged Backed
Floating Rate Notes due 2018

Notice is hereby given that a Principal Payment of £14,700,000 will be made on 5th January, 1990 resulting in a Principal Amount Outstanding of £185,300,000 for the following interest period.

The individual notes to be redeemed will be drawn by lottery on a proportionate basis between Euroclear and CEDEL.

MAES Funding No. 1 PLC
20th December, 1989

ASAHI CHEMICAL INDUSTRY LIMITED
Bearer Depositary Receipts
issued by
Morgan Guaranty Trust Company of New York

A distribution of $ 0,4735 per depositary share less any applicable taxes will be payable on and after December 27th, 1989 upon presentation of coupon No 33 at *any of the following offices* :

- MORGAN GUARANTY TRUST COMPANY OF NEW YORK
  - New York, 30 West Broadway
  - London, 1 Angel Court
  - Brussels, 35 Avenue des Arts
- BANQUE GENERALE DU LUXEMBOURG
  Rue Aldringen 14, Luxembourg

Net Rate :
$ 0,4025 (after deduction of 15% Japanese withholding tax)
$ 0,3788 (after deduction of 20% Japanese withholding tax)

BDR holders who wish to and are entitled to receive payment of the dividend under deduction of 15% Japanese withholding tax must provide the Depositary with a declaration of residence by May 14th, 1990.

This announcement appears as a matter of record only.

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with

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Bayerische Landesbank Girozentrale — *Bayerische Vereinsbank Aktiengesellschaft*
James Capel & Co. Limited — *Commerzbank Aktiengesellschaft*
Cosmo Securities (Europe) Limited — *Daishin Securities Co., Ltd.*
Goldman Sachs International Limited — *Kleinwort Benson Limited*
Kuwait International Investment Co., s.a.k. — *Kyowa Finance International Limited*
Leu Securities Limited — *Maruman Securities (Europe) Limited*
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Notice to the Holders of

Ogden Corporation

U.S. $85,000,000
6% Convertible Subordinated Debentures Due 2002
U.S. $75,000,000
5¾% Convertible Subordinated Debentures Due 2002

On September 21, 1989 the Board of Directors of Ogden Corporation ("Ogden") declared a distribution, in the form of a supplemental dividend, of one share of Ogden Projects, Inc. Common Stock, a 92.8% owned subsidiary of Ogden, for each 40 shares of Ogden Common Stock. Holders of record of Ogden's Common Stock at the close of business on December 14, 1989 will be entitled to receive the distribution to be made on January 9, 1990.

As a result of the distribution, the number of shares of Ogden Common Stock into which the Debentures are convertible will be adjusted effective immediately after December 14, 1989. You will be advised as soon as the new conversion rate is known, which will be on or about January 9, 1990.

OGDEN CORPORATION
Two Pennsylvania Plaza, New York, New York 10121
December 14, 1989.

Bankers Trust Company, London — Agent Bank
22nd December, 1989

20th December 1989

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Offer for 20,000,000 Ordinary Shares of 25p each (with warrants) at 100p per share

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J.S. Gadd & Co. Ltd is pleased to announce that applications have been received and accepted for 89% of the total issue. 85% of the balance has been taken up by the sponsors with the rest being taken by other sub-underwriters.

The approximate geographical holding of the shares is as follows:

Denmark	29%
Sweden	57%
United Kingdom	14%

On 21st December dealings started on the London and Stockholm Stock Exchanges and are expected to commence on the Copenhagen Stock Exchange early in the New Year.

COMMODITIES AND AGRICULTURE

LME zinc restrictions spark row

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange's decision to place temporary restrictions on its zinc contract has sparked off a major row with Boliden, the mining and metals company which is part of Sweden's Trelleborg industrial group.

Yesterday an emergency LME board meeting turned down Boliden's request that the restrictions should be removed immediately.

Mr Kjell Nilsson, Boliden's managing director, complained that the LME's action would benefit those traders who had sold zinc they did not own and now could not deliver the physical metal.

He revealed that Boliden was almost certainly solely responsible for a technical squeeze developing in the LME zinc market this month. In order to gain maximum tax benefits available to Swedish corporations, Boliden wanted to take delivery of 85,000 tonnes of zinc to place in its stocks by the end of this year.

So far Boliden has collected about 50,000 tonnes but very little was now being delivered against the company's LME contracts, said Mr Nilsson.

He said Boliden believed a handful of very large trading houses had sold short and they could well afford to pay for their mistakes. "If people speculate in zinc and sell what they do not own and get caught with their pants down, they should expect to pay up."

On December 9 the LME, in order to prevent what it described as "an undesirable situation" developing in the zinc contract, imposed a limit of $20 a tonne on the daily backwardation (premium for cash metal over forward prices) on zinc.

The action followed hectic activity in the zinc market. Traders suggested yesterday that, although Boliden might not have been attempting to squeeze the market, the amount of metal it required was bound to have that impact. At the end of last week LME stocks stood at 65,600 tonnes.

Mr Nilsson suggested that the $20 a tonne daily backwardation limit was too low and that the LME was sending a message to speculators saying "take a chance, we will put a limit on your losses."

He said that Boliden had asked its London lawyers whether there was any action it could take.

Mr Christopher Green, chairman of the LME, would not comment yesterday. "Our lawyers have counselled us against saying anything," he said.

However, some analysts see the LME's action as a "warning shot" indicating that it is prepared to take fast action to maintain an orderly market.

Although some analysts suggest the LME might have been a little hasty, in this particular case they assume the LME executive was also concerned that it might be difficult to deal with any serious problems at the height of the Christmas period.

Analysts say the LME must have been particularly interested in maintaining orderly conditions for its Special High Grade zinc contract which was launched only a year ago but already has replaced the European Producer Price as the basis for contracts between producers and their customers.

Christopher Green: Advised to say nothing

Brazilian finds weigh on tin price

Illegal miners give Government a headache, reports John Barham

BRAZILIAN prospectors are working new deposits of tin ore in the Amazon which their leaders claim could be as rich as the mines in other regions of Amazonia that have made Brazil the world's largest tin producer within less than a decade.

Understandably, executives at mining companies do not share their enthusiasm. Neither do environmentalists, horrified by the prospectors' ruthless advance across the territory of the Yanomami Indians. The Government is mobilising, somewhat half-heartedly, to remove the prospectors from the area in the northernmost Brazilian state of Roraima.

The first mines began production less than six months ago, and only rough and ready estimates of output or the region's mineral wealth are available. The area had been known to contain gold, diamonds and tin ore before the first prospectors arrived in the mid-1970s.

The Government later expelled them, but now they are back in strength. An estimated 45,000 men are based at about 250 landing strips, nearly all of them prospecting for gold. But some have begun producing tin ore as well. The prospectors are concentrated in a region close to the headwaters of the River Orinoco, roughly 500 miles north-west of Manaus, close to the Venezuelan frontier.

They say they are holding down output while they negotiate a compromise with the government that would legalise their claims in Roraima, and so far only three mines have begun operating.

Mr Jose Altino Machado, a leading prospector, his brother and other associates, run one of the first mines to come into production. He says production rose to 500 tonnes of ore a month after his 130 men began work in July, but has been scaled back to 200 tonnes a month. Two other mines are producing about 220 tonnes a month.

Mr Machado claims that the ore is more than 70 per cent pure. If that were true, the mines would already be churning out some 8 per cent of Brazil's annual tin production, but mining company executives treat the prospectors' claims with a heavy pinch of salt. One executive at Paranapanema, Brazil's leading tin producer, said: "The prospectors are men of the jungle, given to exaggeration. One cannot take literally everything that they say." He added that the prospectors are unable to move more than a small part of their ore to Manaus. The mines are only accessible by air and each of the light aircraft - which only fly in fine weather - carries no more than 500 kg of ore.

In October, Mr Machado's mine had about 110 tonnes of ore piled up beside the runway.

However, Mr Orestes Schneider, a Government geologist who supports the prospectors, takes their claims more seriously. He said: "We have run analyses and found tin content of 73 to 74 per cent. At first I was suspicious, I thought I was being tricked, so I went out there and the deposits really are so rich that you can see the ore with the naked eye."

Mr Schneider plans to return in January to carry out further evaluations. He believes that the region has the potential to produce a steady 5,000 to 10,000 tonnes of ore a year. "By next year we should see production of several thousand tonnes," he estimates.

If and when a primary seam of ore was found, that estimate would have to be substantially increased. Despite heavy operating costs the mines are very profitable because grades are high and because the ore is associated with gold. Mr Schneider measured astonishingly high yields of 15 kg of ore per cubic metre of earth at two sites.

The grades in Roraima compare favourably with mines in Bom Futuro and Pitinga, which produce most of Brazil's tin.

According to Mr Machado, it costs $1,770 to deliver one tonne of ore to the state capital of Boa Vista, where it is sold for $3,200 a tonne.

Scheduled passenger jets fly the ore to Manaus in their holds.

Mr Machado said he planned to cut costs by about 12 per cent by using tractors to haul the ore to his landing strip, instead of expensive helicopters and slow porters. He also wants to bring more efficient aircraft into service to increase deliveries.

His plans over the next two years gradually to mechanise production, which at present is heavily labour-intensive. Mr Machado's quixotic aim is to strengthen the prospectors' control over tin supplies by eventually forcing less competitive Brazilian and foreign producers off the market by increasing supplies of cheap tin.

The prospectors already run the Bom Futuro mine in western Amazonia, one of Brazil's principal sources of tin ore. But much depends on negotiations with the Government, which has announced plans to evict them, by force if necessary. So far no action has been taken but a new Government is to take office in March.

World tin prices have slipped this year, despite the best efforts of the Association of Tin Producing Countries to support prices by curtailing output. This has partly reflected a slowing in demand, but fear of a surge in Brazilian output has also depressed the market.

Although Brazil does not belong to the ATPC, it has promised not to exceed its export quotas – this year it is to export 31,500 tonnes of tin. But the Government is facing increasing difficulties in controling output because the prospectors, who produce just under half Brazil's tin ore, resist regulation.

Consolidation of another important prospector mine would add considerably to the ATPC's doubts over Brazil's adherence to its export quotas. However, Mr Jose Rufino Teixeira, whose company buys Mr Machado's ore, says deposits can only be developed properly after a complete geological survey and production and transport must be improved. "I don't expect an immediate explosion in output," he said.

Meanwhile, thousands of Yanomami Indians are paying for the prospectors' good fortune with their lives. They are dying from malaria, venereal disease and the common cold brought by the intruders.

Shearson damages set at £41m

By Raymond Hughes, Law Courts Correspondent

TWO SHEARSON Lehman Hutton companies were yesterday awarded £41,565,082 damages in the High Court for breaches of tin contracts by Maclaine Watson & Co.

The award brought to £58m damages recovered by Shearson Lehman Brothers, a trading company owned by American Express, and its metal trading subsidiary, Shearson Lehman Metals, against Maclaine.

In 1987, Maclaine, a subsidiary of Drexel Burnham Lambert, made an interim payment of £16.7m in respect of a part of Shearson's claim that had been held to be incontestable.

Yesterday's award took account of a set-off of damages due to Maclaine for Shearson's non-acceptance of tin sold to it by Maclaine.

Last March Mr Justice Webster held that Maclaine had breached contracts it had made with Shearson. Yesterday's damages assessment was based on the mid point between the contract prices and the market price of tin on March 12, 1986. The judge decided the latter figure was £3,400 per tonne.

Maclaine's appeal against the breach of contract finding is expected to go before the Court of Appeal next autumn.

The March ruling was made in a case in which Mr Justice Webster also held that the London Metal Exchange's Rule M, which fixed a ring-out price overriding outstanding tin contract prices following the suspension of the tin market in October, 1985, was valid.

The judge also rejected Shearson's damages claims against the LME for allegedly inducing breaches of contract by Maclaine and for alleged breach of duty.

Norwegian price net comes to rescue of salmon farmers

By James Buxton, Scottish Correspondent, and Tim Dickson in Brussels

NORWAY, WHICH accounts for 60 to 70 per cent of European production of farmed salmon, is to introduce an intervention buying system for the fish from early next month. It should have a significant effect on prices for producers in Norway, Scotland and Ireland who are facing a crisis.

The European Commission is opening proceedings against Norway for dumping salmon in the EC market, following allegations by Britain and Ireland.

The development comes amid strong indications in Brussels that the European Commission is poised to open a formal investigation into allegations of dumping of Norwegian salmon on the EC market.

No political decision is likely to be taken until next month at the earliest but it is reliably understood that the influential anti-dumping committee of EC civil servants has concluded that complaints lodged by Scottish and Irish salmon farmers justify immediate action.

Pressure for such a move has been building up in recent weeks following fierce lobbying of Commission officials and the European Parliament – but it would nevertheless be a blow to the Oslo Government. Dumping complaints involving fish are almost unprecedented – the only known case according to one industry expert having been against Chilean pilchards – while an investigation at the moment is particularly embarrassing in view of the green light given this week to negotiations for a much closer economic relationship between the EC and the countries of EFTA.

The EC's action is likely to proceed despite promises by the Norwegians that they will put into effect measures to fix and police export prices. It could lead to EC import duties on Norwegian salmon if the complaint is upheld.

In another development Britain is banning the import of ungutted salmon and trout in an effort to prevent the spread of a disease which has affected some Norwegian salmon farms and could have a serious effect if it reached farms in Scotland.

Salmon farmers in Scotland and Ireland have been facing intensifying difficulties in the past few months, with some farms going out of business, because Norwegian fish have been sold at below the official price set by Norway's Fish Farmers' Sales Organisation.

Scottish farmers have been getting prices of about £1.15 a lb instead of £1.65 a lb, which is what the official Norwegian farm gate price of about NKr36 a kilogram, the benchmark for the industry, translates at in delivered prices.

Now Norway's sales organisation intends to restore the credibility of its official price system by instituting a system whereby it will purchase salmon from farmers at the official price if exporters will not buy them at that price. To finance the measure, which will require the cold storing fish, it will levy NKr5 a kilogram of fish sold.

According to Mr Odd Steinsboe of the sales organisation the effective official price will rise by between NKr6 and NKr7 to about NKr42 a kilogram because of the levy and its effect on confidence in the official price system.

Mr Bill Crowe of the Scottish Salmon Board, the producers' organisation, said he believed that the measure, which should come into effect from January 5, could bring the actual price paid for delivered salmon in the European market back to about £1.65 a lb. He said the Norwegians had admitted that the official price system had been "evaded".

BRITAIN'S ban on the importing of gutted salmon and trout is intended to protect Scottish salmon farms against a disease called infectious salmon anaemia which has caused heavy mortalities in some Norwegian fish farms.

Imports of live salmon are already banned as are those of gutted salmon but Norway, Ireland, Northern Ireland and the Isle of Man are exempted from the ban on imports of gutted salmon. The new ban will come into effect on December 25. The disease will also become notifiable to the authorities in Britain.

Mr Crowe said that the disease "would devastate our stocks if it came here." Because it does not immediately kill fish and does not make them inedible it can lead to large quantities of undersized fish being sold at distress prices as farmers slaughter their stocks, posing a further threat to the viability of the salmon farming industry.

Mr Crowe believes that preventive slaughtering in Norway has contributed to the glut of salmon on the market during this year.

'Other milds' countries agree coffee sales curb

CENTRAL AMERICAN coffee producers have agreed to withhold 15 per cent of their exportable coffee until the end of next year and urged Colombia and Mexico to join them in attempting to lift world prices, reports Reuter from Tegucigalpa, Honduras.

Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua, members of the so-called "other milds" group, agreed to sell only 85 per cent of their coffee harvests between January and September 1990.

Mr Roberto Alvarado, head of the Honduran Coffee Institute, said a meeting of the countries' coffee officials had been "truly a success."

"The retention will be put into effect in the first three months between January and March 1990 and, additionally, it can only be exported from Oct 1, 1990," he explained.

By regulating the market, the producers are hoping to forestall a spate of selling at the start of 1990, shortly after the region's harvest. Prices are already near their lowest levels in 14 years and a new surge of supplies could push them lower.

Mr Alvarado said 30 per cent of the region's coffee crop would be sold in the first quarter of 1990, 30 per cent in the second quarter and 25 per cent between July and September. The withheld 15 per cent would be sold between October and December.

David Blackwell writes: Coffee traders in London were sceptical about the scheme, which one described as "rather absurd."

There was still a sizeable amount of coffee waiting to come onto the market, he said, and any price advance would be only temporary.

Disease hits Brazilian cocoa

WITCHES BROOM disease has broken out in several more areas of Bahia state, the main cocoa-growing region of Brazil, and is now considered ineradicable, a senior Cocoa Farm Commission (Ceplac) official said.

The new outbreaks follow discovery of the fungus disease around Camacan in October. Ceplac said it had eradicated an earlier outbreak around Urucuca near Ilheus in May.

But the official said Ceplac had now identified a new outbreak near Urucuca and three around Camacan. "We believe it is impossible to eradicate now," he said.

The Bahia cocoa zone has until recently been free of the disease, which affects new branches, weakening trees and eventually affecting pod production. But traders have been concerned about the possibility of infection being brought in from the Amazon area, where it is widespread.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE CHRISTMAS run-up left most markets featureless yesterday. On the bullion market gold eased a little as dealers said its failure to breach the $415 a troy ounce resistance level this week pointed to consolidation at present levels. But its underlying tone remains bullish, and $420 to $425 an ounce could be tested in the New Year. On the LME copper retreated in sympathy with Comex; nickel closed at the day's lows as the technical tightness continued to ease, reducing the premium for cash metal over three-month to $632.50 a tonne (compared with over $1,000 a tonne at the beginning of the week); in contrast lead closed just below the day's highs after three-month metal broke through £430 a tonne in the morning on Far East buying. Both coffee and cocoa prices eased in dull trading.

US MARKETS

MOST COMMODITY MARKETS featured slow sessions ahead of the upcoming holidays, reports Drexel Burnham Lambert. Gold and silver futures had sideways action for most of the day. Platinum slipped due to local liquidation. Light technical buying firmed up the copper. In the softs, sugar had another active day adding to wednesdays decline. The March contract closed at 1286 down 21 from mostly commission house activity. Cocoa and coffee were both slow. The livestocks featured two-sided trade in the bellies. Live hogs and cattle gained from local buying. The grains were all non-events as prices closed nearly unchanged in most markets. Cotton futures rallied due to scattered short covering. Orange juice prices soared again from the continued cold weather. The energy complex had heavy advances. The shutdown of an eastern pipeline in the US prompted strong buying. Heating oil was again the most active market.

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	107.50	106.50	107.50	105.90
Jan	106.15	105.30	106.40	105.25
Feb	105.75	105.20	106.10	105.10
Mar	105.25	104.70	105.80	104.20
Apr	104.65	104.10	104.40	104.40

New York

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	574/4	573/6	578/4	572/2

LONDON STOCK EXCHANGE

Share prices retreat in quiet trading

Apart from a handful of special situations, the London equity market was affected by a distinct lack of enthusiasm and interest yesterday as the Christmas holiday loomed, with the majority of blue chips drifting in thin trading. But falls in share prices were generally kept to minimal levels.

Trading got off to a dismal start, with dealers perplexed and dismayed by yet another technical hitch in the Stock Exchange's Seaq dealing system which delayed early deals by 30 minutes or so. "It's difficult enough to make money in these markets without the screens going down every couple of days," said one disgruntled trader. There were technical problems with Seaq only last Monday.

The FT-SE opened showing a marginal gain on Wednesday's closing level but began to retreat after news of a £162m rights issue issue from Albert Fisher, the food group, albeit on favourable terms and fully underwritten, and slight unease over the recent uncertain performances emanating from Wall Street. There were also yet more profits downgradings among the FT-SE stocks.

Thereafter a gradual deterioration in share prices took place, although dealers were at pains to point out that selling pressure was only minimal. A senior trader at one of the leading Continental investment houses said there had been little or no selling emanating from European investors. "On the contrary," he said, "the Europeans had probably been small net buyers of stock." He added that the London market was probably still short of stock in many of the FT-SE issues and that the market would not come down very far ahead of the new year.

The constant stream of bed and breakfast deals, a feature of activity in recent sessions, continued to boost the market's turnover which came out yesterday at a creditable 438m, although well down on Wednesday's 552.9m and Tuesday's exceptional 626m.

Wall Street's quietly steady opening performance took the FT-SE 100-index off the day's lowest levels – it was down almost 10 points at midday – and the index finally settled with a net fall of 7.7 at 2353.0.

Among the day's casualties was ICI, which ran back sharply in active trading as at least three of the top broking houses cut their profits forecasts for the group. Among other downgrades, Smith New Court reduced their forecasts for Cadbury-Schweppes, and BZW lowered their estimates for Boots and BICC.

The day's outstanding performance came from Cable & Wireless, the telecoms group, whose shares raced up on expectations that a Chinese Government Agency would be taking a stake of between 10 and 20 per cent in Cables' 75 per cent owned Hongkong Telecom subsidiary.

Account Dealing Dates

Option			
*First Dealings	Dec 11	Dec 27	Jan 15
Option Declarations	Dec 21	Jan 11	Jan 25
Last Dealings	Dec 22	Jan 12	Jan 26
Account Day	Jan 2	Jan 22	Feb 5

*New time dealings may take place from 8.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Dec 21	Dec 20	Dec 19	Dec 18	Dec 15	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.49	84.46	84.18	84.04	83.99	87.38	89.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.67	92.41	92.33	92.28	92.25	95.75	99.59 (15/3)	92.02 (8/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1858.8	1866.0	1852.5	1864.5	1851.7	1432.4	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	315.0	313.1	311.3	315.2	308.4	184.1	317.8 (13/12)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2353.0	2360.7	2342.1	2358.5	2344.7	1788.7	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.59	4.56	4.59	4.58	4.59	5.12				
Earning Yld %(full)	11.22	11.15	11.21	11.15	11.19	12.94				
P/E Ratio(Net)(☆)	10.79	10.85	10.79	10.86	10.82	9.32				
SEAQ Bargains(5pm)	33,419	35,623	32,224	28,538	29,761	18,577				
Equity Turnover(£m)†	-	1213.80	1374.66	1002.11	842.51	788.67				
Equity Bargains†	-	38,192	33,888	28,748	32,066	20,644				
Shares Traded (ml)†	-	451.7	655.4	444.9	385.6	405.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 ☆ Nil 10.73

Ordinary Share Index, Hourly changes Day's High 1866.9 Day's Low 1856.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1866.9	1861.8	1862.1	1859.4	1856.5	1858.5	1860.4	1860.0

FT-SE, Hourly changes Day's High 2361.1 Day's Low 2351.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2361.1	2355.1	2354.9	2351.7	2352.9	2352.4	2354.8	2352.8

GILT EDGED ACTIVITY

Indices*	Dec 20	Dec 19
Gilt Edged Bargains	73.8	88.0
5 – Day average	72.8	73.8

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000s	Closing Price	Day's change		Volume 000s	Closing Price	Day's change		Volume 000s	Closing Price	Day's change
[illegible]				[illegible]				[illegible]			
Boots	987	362	-2	Guinness	795	614	+2	RMC	121	860	-6
Brit & Comm.	4,008	97		Hammerson 'A'	11	641	+1	RTZ	1,900	567	-1
Brit Aerospace	1,330	583	+13	Hanson	4,900	221	+½	Racal	3,300	234	-5
British Airways	2,975	218	+½	Hanson Warrants	153	53		Racal Telecom	224	390	-7
British Gas	4,100	226		Harrisons Cros.	436	156	-1	Rank Org.	381	838	-4
British Land	863	394	+2	Hawker Sidd	408	601		Reckitt & Colman	72	1,365	-9
BP	3,800	328	-4	Hillsdown	1,000	267	+2	Redland	233	547	+4
British Steel	1,600	131½	-1	IMI	780	317	+2	Reed Intl	344	440	-1
British Telecom	6,200	287½	+1½	ICI	1,200	1087	-29	Reuters	488	1013	-12
Bunzl	822	103½	-½	Inchcape	186	391	+1	Rolls Royce	3,800	178	+3
Burmah Oil	285	688	-2	Jaguar	[illegible]	848		Rothmans	15	[illegible]	
Burton	1,080	200	-1	Kingfisher	223	394		Ryl Bk Scotland	1,500	308	
Cable & Wire.	3,700	548	+28	Ladbroke	2,300	358	-3	Royal Insurance	498	548	+7
Cadburys	5,000	338	-5	Land Securities	484	555	-3	STC	1,600	298	-4
Calor Group	298	423	-5	Laporte	81	481	-7	Saatchi	1,500	240	+5
Carlton Comms.	832	829	-15	Legal & General	674	414		Sainsbury	831	280	-2
Coats Viyella	3,180	138	+2	Lloyds Abbey	222	315	+1	Scottish & New	730	360½	-2½

[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

China link helps C and W

Cable and Wireless rose on the news that the company was in talks with China International Trust and Investment Corporation, an investment vehicle owned by the Chinese Government, about Citic taking a "significant minority stake" in Hong Kong Telecom, 75 per cent owned by C and W.

The shares gained 28 to 548p as 3.7m shares were traded. Analysts were yesterday predicting Citic it take between 10 and 20 per cent of HK Telecom, which would be worth between £400m and £800m. Mr Chris McFadden at Shearson Lehman Hutton said: "This is what C and W intended to do all along. We think Sir Eric Sharp (the chairman) is an astute political operator and his great ambition before retiring was to get C and W into a position to participate in the Chinese telecom network operations in the next century."

Mr Chris Tucker at Kitcat & Aitken said: "This reduces the political risks of 1997 and considerably strengthens the balance sheet." He warned, however: "The shares have largely been driven by sentiment and may be vulnerable to profit taking."

ICI downgradings

A triple blow of analysts' downgradings sent ICI shares reeling. The price fell below £11 for the fist time this month in good volume on what was one of the quietest days for weeks in the wider market.

The least bearish figures came from Mr John Dorée at Hoare Govett. He said that ICI would make £1490m, only £20m more than this 1988 figure and against his previous forecast of £1550m. He said, however, that the share price already discounted the weaker trading trend affecting ICI. Next year's profit, he said, should be £1500m against a previous prediction of £1575m.

His forecast was £100m higher than new predictions from Mr David Ingles at James Capel and Mr Jeremy Chantry at Kleinwort Benson. They reached their 1990 figures by slicing £70m and £120m respectively from their previous estimates.

Mr Ingles, forecasting £1480 instead of £1520m for the current year, said that ICI had had a poor October and November in bulk chemicals to add to a weak September. The probable cause was destocking, said Mr Ingles, judging from the combination of steady demand and falling prices. "The question is when does that destocking phase come to an end." He rated the stock a weak hold, anticipating some underperformance. "It is still too early to buy ICI for the recovery."

ICI finished at it lowest of the day, 1097p, down 29, on turnover of 1.7m shares.

The water stocks remained active although not as busy as on Wednesday, dealers said. They insisted that further substantial buying could have been carried out on behalf of French companies such as Lyonnais des Eaux or Générale des Eaux. Market talk that further holdings were about to be revealed in Anglian and one other company turned out to be Anglian and Thames' details of capital requirements. This prompted some profit taking. A good performance by Northumbrian, up 5 at 165p on 3.2m, was the result of a squeeze, dealers said.

The biggest turnover (13m) was in Anglian, which closed a shade down at 154½p, and Thames (13m), which hardened 2½ to 148½p. North West (11m), settled unchanged at 139p, and Severn Trent(10m), put on 2½ to 139p. Around 7.6m Yorkshire changed hands, leaving the stock 1¼ higher at 157½p. The Package rose 10 to 1483p.

Glaxo weakened on suggestions that James Capel had abandoned its long-held buy recommendation on the stock. But the agency broker denied the story and the shares recovered from their low of 767p to close a net 15 down at 776p.

Hopes that a wrangle over costs between Eurotunnel and the builders of the Channel tunnel might soon be over – thus smoothing the path for a refinancing package – boosted the shares 25 to 598p.

Fisons held firm against the market trend after a US trade magazine suggested that the company might yet be able to share the market for aerosol pentamedine, a treatment for Aids related infections especially pneumonia, with US company Lyphomed. The price closed unchanged at 335p.

Lonrho advanced through £3 on buying for what some suspected was to be a better dividend than forecast. The company went xd at the end of January this year and dealers expected a similar date this time around. At the close, Lonrho were 6 better at 302p.

Marketmakers continued to express caution on persistent suggestions that Commercial Union was about to be the target of a bid. Nevertheless, no one was willing to go short of the stock and the price firmed another 2 to 531p. "The volume isn't there for stakebuilding," said one. "Enough people believe it, so the price goes up" said another. "The better they get, the more scared people are to sell them," added a third. One analysts put the opposing view: "It is difficult to rationalise Sun Alliance's 14.5 per cent cent stake in CU without them making a bid."

Sun fell 3 to 332p after a profit downgrading from UBS Phillips & Drew. Mr Andrew Goodwin at UBS cut his current year figure from £345m to £320m and next year's from £290m to £275m. "UK underwriting performance and investment income growth will be worse than expected," he said. Other leading insurances were dragged a penny or two firmer with CU, notably Royal Insurance (548p) and General Accident (1303p).

Carlton Communications continued to weaken in the wake of take profits advice from Kleinwort Benson. The shares ended another 16 lower at 829p on good turnover for Carlton of 832,000.

The much touted sale of Whitbread's spirits division failed to materialise. The "A" shares slipped 5 before recovering a little to close 3 down on the day at 389p.

A profits downgrading from Smith New Court of Cadbury-Schweppes left the shares 5 lower at 338p on strong volume of 5m shares.

A one-for-three rights issue at 110p from Albert Fisher, the fresh produce supplier, left the shares 2 off at 115p. Dealers said that the promise, from Fisher's new US investment fund partner, to take up any shares not subscribed for, underpinned the price.

A bear squeeze and positive sentiment following news of new orders the previous day helped British Aerospace. The shares added 13 to 583p

Rolls-Royce surged in late trading following an announcement that total orders for the V2500 aero engine built by a consortium in which Rolls-Royce has a 30 per cent stake, had exceeded $5bn. The shares touched 180p before retreating to 178p, a net gain of 3 on turnover of 3.8m shares.

Analysts pointed out that *the shares had come back after* the realisation that the $5bn was not all business due to Rolls-Royce. Rolls-Royce's share of the orders is worth around £250m, or an extra £25m a year."

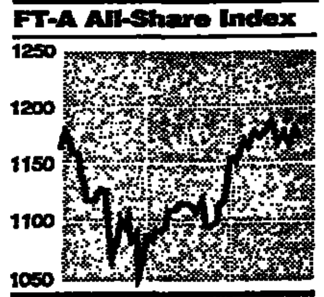
Shares in BICC gave up 6 to 460p, as BZW cut full its full year profits forecast. BZW now expects the company to make of £200m instead of £208m.

Shares in Myson Group, the radiators and boilers manufacturer moved sharply upwards on the news that the Monopolies and Mergers Commission had given clearance for the takeover of the company.

The shares jumped 23 to close at 224p as the commission cleared the way for both Yale & Valor, the security and home products company which launched a £187m offer for the *company last July*, and Blue Circle, the cement and home products company which launched a £195.7m counter bid, and now has a 29.5 per cent stake in Myson.

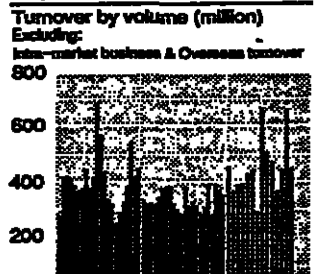
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 19

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (42).
BRITISH FUNDS (5) Treas. 9pc 1990, Treas. 8pc 1990, Treas. 8pc 2003 'A', Treas. 2½pc IL 2003, Treas. 2½pc 2003, AMERICANS (1) FPL Grp., BANKS (2) Bk. Scotland, Prov. Fin., BREWERS (2) Guinness, Do. 8¾pc Cv. Ln., ELECTRICALS (2) Racalshaw, Ross Grp., FOODS (1) Batleys, INDUSTRIALS (4) Astra AB, Glaves Grp., Grafton Grp., Hawtal Whiting, INSURANCE (3) Britannic, Comm.Union, Royal Ins., MOTORS (1) Volkswagen, PAPERS (1) Clondalkin Grp., TRUSTS (12) OILS (3) Mobil, Total-Cie, MINES (8)

NEW LOWS (47).
AMERICANS (2) Dana, Gt. Am. Bk., BREWERS (1) Greene King, BUILDINGS (2) Abbey, Wiggins, CHEMICALS (2) Amersham Intl., Cambridge Isotope Labs., STORES (1) PML, ELECTRICALS (10) ENGINEERING (1) Blackwood Hodge, HOTELS (1) City Centre Rest., INDUSTRIALS (7) LEISURE (2) Avesco, Expedier, PAPERS (2) PROPERTY (4) SHOES (1) Pittard Garnar, TRUSTS (2) EFT, G.I.F.T. Wrnts., MINES (1) Metana Mins., THIRD MARKET (1) Auto. of Dist.

APPOINTMENTS

Chief of Heron Property

■ Mr Roger Howson, currently joint chief executive of Rosehaugh, is to join Mr *Gerald Ronson's HERON* GROUP in early 1990 as chief executive of Heron Property Corporation. Since Mr Tim Binnington left Heron Property Corporation to form Sovereign Land with Mr Graeme Newman last June (with Heron backing), Mr Tony Royle has combined the roles of chairman and chief executive of HPC. Mr Royle is himself due to retire early next year.

■ Mr Ben Stoneham has been appointed managing director, PORTSMOUTH PUBLISHING AND PRINTING, from April 1 next year when Mr Derek Penketh retires. Mr Stoneham is development director of the holding company Portsmouth and Sunderland Newspapers. Mr Stoneham will remain on the main board, and Mr Penketh becomes a non-executive director.

■ Professor Sir Alan Peacock, honorary research professor in public finance at Heriot Watt University and executive director of the David Hume Institute in Edinburgh, has been appointed a non-executive director of STANDARD PROPERTY INVESTMENT. Ms Shelagh Mackay, financial controller, has been promoted to finance director.

■ Mr Ian Leech has been appointed financial controller of FORWARD TRUST GROUP, part of Midland Group. He was chief accountant.

■ Mr Peter Stafford has succeeded Mr Clive Bastin as national managing partner of SPICER & OPPENHEIM.

■ Mr Vic Steel, executive director of Kingfisher, has been appointed a non-executive director of MANSFIELD BREWERY. He joined Kingfisher in 1988 and is responsible for the group's Superdrug and Woolworths store chains. Before that he was managing director of Guinness Beverage Group.

■ COATS VIYELLA has appointed Mr Russell Walls as group finance director from January 1. He joined the group in 1966, and succeeds Mr John Ashton who is retiring.

■ TORSTEKNIK UK, Banbury, which supplies Motoman and Batchweld robotic systems, has appointed Mr Derek J. Pasquire as engineering director. He was technical director.

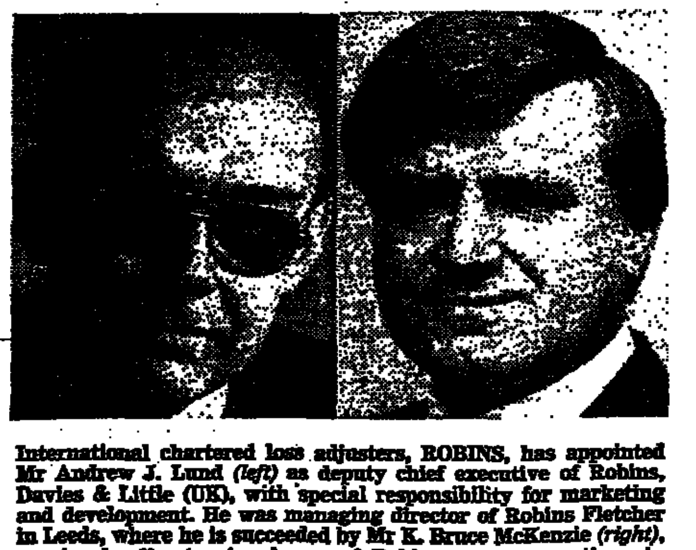
■ ECONOMIC FORESTRY GROUP has appointed Mr Matthew Rivers as general manager East England division. He was forest manager with the Shotton Paper Co.

■ Mr George Basnett has been appointed to the main board of CORTON BEACH. He is chairman and managing director of the food division's major operating company, Norpak Foods.

secretary. Mr Alan Mackinnon is resigning from the board to concentrate on his role as automotive sales development director - technical products division. Mr John Band is retiring but continues as a consultant. Mr Geoff Hudson, corporate development director, is also resigning from the board to pursue venture capital opportunities.

■ *Mr Nigel W. Smith*, company secretary of STERLING PUBLISHING GROUP (a post he retains) has been appointed to the boards of nine subsidiaries. Mr Lee Wright, chief accountant of Sterling Publications has been appointed to its board and to the board of Sterling Publications International.

Loss adjusters senior posts



International chartered loss adjusters, ROBINS, has appointed Mr Andrew J. Lund *(left)* as deputy chief executive of Robins, Davies & Little (UK), with special responsibility for marketing and development. He was managing director of Robins Fletcher in Leeds, where he is succeeded by Mr K. Bruce McKenzie *(right)*, previously director in charge of Robins group operations in Ireland. Mr Lund is chairman of the technical committee of the Chartered Institute of Loss Adjusters.

■ The INSTITUTE OF CHARTERTED SECRETARIES AND ADMINISTRATORS has appointed Mr John Ainsworth as secretary and chief executive. He was chief executive of the Institute of Administrative Management.

Mr David Wright has been appointed president of the Institute for 1990. He is company secretary of the Johnson Matthey Group, and a director of Johnson Matthey (Nominees).

■ Mr David Willman, company secretary, has been promoted to the board of WARDLE STOREYS as finance director. He continues as company

■ Mr Richard Delbridge has been appointed a director of MIDLAND BANK, and holds an interest in 1000 shares.

Mr Leonard Hazael has been appointed corporate director, London region, in MIDLAND UK corporate banking from January 1. He was corporate director, City & West End. Mr David Shelley is made corporate director, financial institutions - he was corporate *director, London South*. Mr Anthony Dunnett becomes corporate director, property and construction. He was a corporate banking director in Midland Montagu.

■ THE IMPORTED TYRE MANUFACTURERS' ASSOCIATION has elected

Chief executive of TSB Group

■ From January 1 Mr Don McCrickard becomes chief executive of TSB GROUP, remaining chief executive of the main subsidiary TSB Bank. Mr Philip Charlton, at present group chief executive, becomes a deputy chairm of the group at the same time.

Mr Wolfgang Schmidt, sales and marketing director of CUP Continental, as its president for the next two years.

■ J.H. MINET & CO has appointed Mr John Dewen as senior executive director of the central processing and administration area. Mr Terry Burt, broking accounts; Mr Peter Ovenden, non-marine processing; Mr Mike Williams, marine processing; Mr Richard Wells, administration; and Mr Tony Paxton, claims; have been appointed managing directors of the area.

■ Mr Kevin Clark has been appointed a director of James Hay Pension Trustees and James Hay Financial Services, both subsidiaries of G.M. BENEFIT CONSULTANTS, part of Guinness Mahon Holdings.

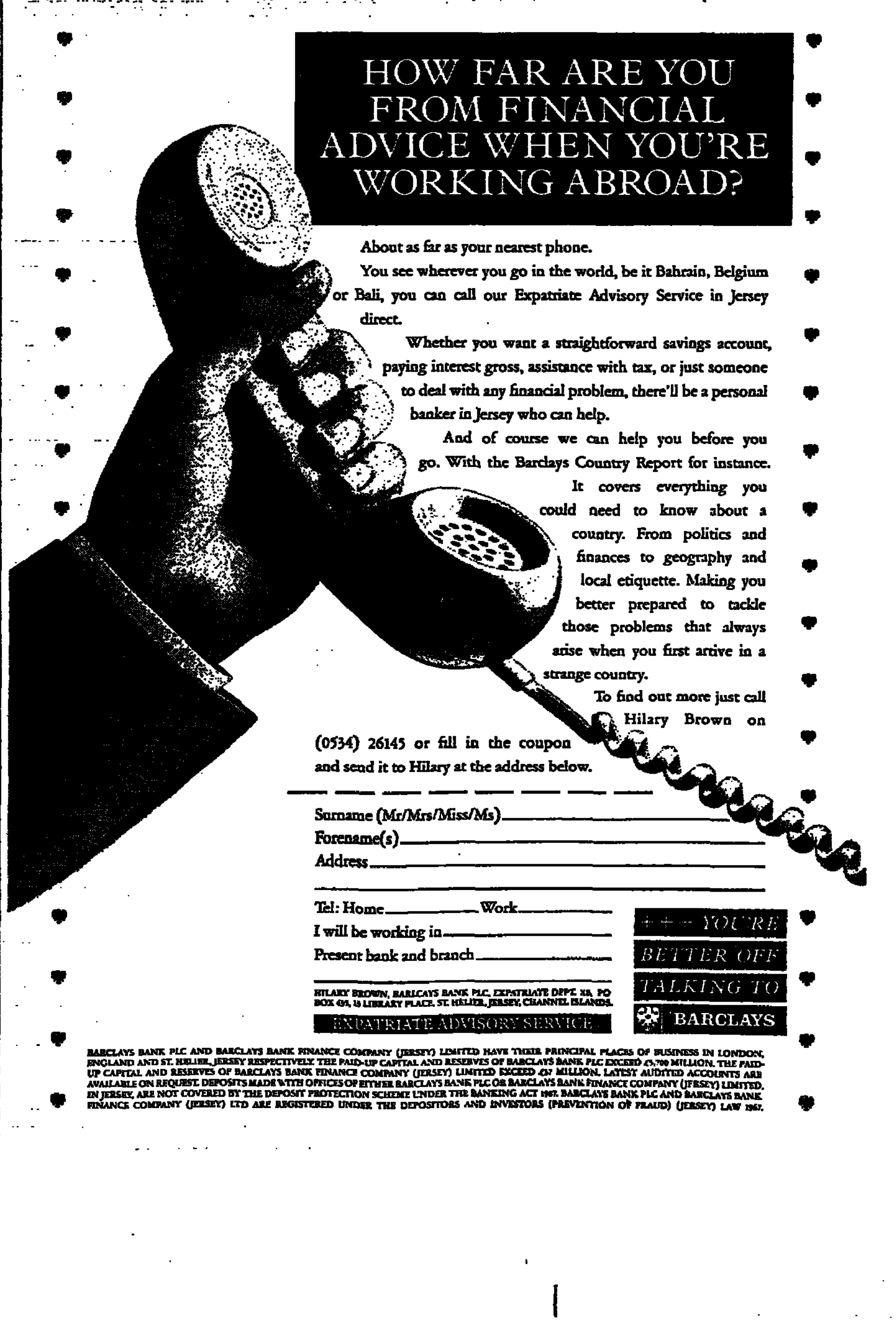
■ Mr Thomas Peter Wardle has been appointed a non-executive director of FERRY PICKERING GROUP from January 1. He is an executive director of Yale & Valor, and is on the board of United Kitchen Holdings.

■ PILKINGTON OPTRONICS has appointed Mr Martin Bell to direct the relocation of its Glasgow-based company, Barr & Stroud, into new facilities. Mr Tom O'Neill has taken over as chief executive from Mr Bell. Mr O'Neill was finance director of Pilkington Optronics. He is succeeded by Mr Bob Rylance who is based at the company's plant at St Asaph, North Wales.

■ *Mr Nicholas Prest* has been appointed chief executive of UNITED SCIENTIFIC HOLDINGS.

■ Mr P.J. Wormald, deputy secretary in the Department of Health, is to be Registrar *General for England and Wales* at the end of March next year when Mrs G.T. Banks retires. He also becomes director of the OFFICE OF POPULATION, CENSUSES AND SURVEYS.

■ Mr Allan Rodger has been appointed managing director of INDEVO UK.



BARCLAYS BANK PLC AND BARCLAYS BANK FINANCE COMPANY (JERSEY) LIMITED HAVE THEIR PRINCIPAL PLACES OF BUSINESS IN LONDON, ENGLAND AND ST. HELIER, JERSEY RESPECTIVELY. THE PAID-UP CAPITAL AND RESERVES OF BARCLAYS BANK PLC EXCEED £5,700 MILLION. THE PAID-UP CAPITAL AND RESERVES OF BARCLAYS BANK FINANCE COMPANY (JERSEY) LIMITED EXCEED £3 MILLION. LATEST AUDITED ACCOUNTS ARE AVAILABLE ON REQUEST. DEPOSITS MADE WITH OFFICES OF EITHER BARCLAYS BANK PLC OR BARCLAYS BANK FINANCE COMPANY (JERSEY) LIMITED, IN JERSEY, ARE NOT COVERED BY THE DEPOSIT PROTECTION SCHEME UNDER THE BANKING ACT 1987. BARCLAYS BANK PLC AND BARCLAYS BANK FINANCE COMPANY (JERSEY) LTD ARE REGISTERED UNDER THE DEPOSITORS AND INVESTORS (PREVENTION OF FRAUD) (JERSEY) LAW 1967.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	54.27	54.79	58.29	-0.39	4.70
Gilts & Fixed Int	6	108.20	108.20xd	114.80	+0.30	8.71
High Inc Equity	6	136.60	136.60	146.10	+0.10	4.35
Worldwide Bond	6	207.90	207.90xd	220.30	-0.60	4.81
Capital Growth						
American Growth	6	195.70	197.40	210.10	-1.20	1.04
Asian Pacific	6	123.00	125.40xd	133.50	+1.60	0.97
Assets & Earnings	6	157.00	157.00xd	163.00	-0.10	2.20
Capital Reserve Acc	0	88.76	88.76	88.94	+0.21	6.75
Capital Reserve Inc	0	78.77	78.77	78.93	+0.19	7.60
Comdty & Energy	6	118.50	118.50	126.00	-2.40	1.50
Dividend & Growth	6	46.93	47.63	50.68	-0.04	4.44
1992 Enterprise	6	62.71	63.94	68.03	+0.05	2.44
Euro Capital Acc	6	101.10	101.80	108.30	+0.80	0.69
Euro Capital Inc	6	97.43	98.23	104.50	+0.80	0.72
General	6	179.40	179.40	191.90	-0.70	2.61
International	6	61.11	61.94	65.90	+0.09	0.76
Japan	6	125.20	127.40	135.60	-2.00	0.00
Mastertrust	6	93.15	93.15	99.63	-0.27	1.71
UK Growth Acc	6	178.40	178.40	190.90	-4.10	1.67
UK Growth Dist	6	117.90	117.90	126.10	+0.10	2.52
US Emerging Cos	6	52.66	54.18	57.64	-0.19	0.00
Income & Growth	6	306.80	306.80xd	328.20	-0.30	3.12
Ethical	6	47.42	47.42	50.72	+0.03	1.97
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	33.16	33.16	35.40	-0.23	3.03
European	5¼	79.77	79.94	85.34	+0.33	0.00
European Income	5¼	76.48	76.48xd	81.65	+0.30	2.07
Exempt	1	782.5	782.5	813.8	-8.20	1.62
Extra Income	5¼	44.09	44.09xd	47.07	+0.03	4.23
F East Emerg Econs	5¼	64.77	65.14	69.77	-0.21	0.07
Fund Inv Tst	5	132.4	136.0	145.2	-0.30	1.65

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
International	5	115.0	115.0	121.6	.....	1.00
(Accum Units)	5	158.2	158.2	167.3	.....	1.00
Smaller Co's	5	102.8	104.2xd	110.6	.....	2.09
(Accum Units)	5	114.0	115.6xd	122.7	.....	2.09
Inv Portfolio	2½	54.83	55.77	57.50	.....	3.27
(Accum Units)	2½	56.92	57.90	59.70	.....	3.27
High Income Port	3	48.03	48.78	50.55	.....	5.25
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sht Dat Gilt & FI	1¼	55.26	55.26	56.06	+0.05	2.81
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Intl Grth	5¼	51.93	51.93xd	55.87	-0.97	1.34
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	55.72	55.72	60.61	-0.12	2.23
Global Tst	5½	47.29	47.29xd	50.91	-0.27	2.01
Recovery Tst	5½	46.86	46.86	51.27	-0.11	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	114.4	116.0xd	122.4	-0.4	4.26
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	6	104.7	106.3	113.1	-0.1	2.27
UK Income	6	103.4	105.1	111.9	+0.1	5.01
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	63.97	63.97	68.05	-0.16	1.19
CS International	5	61.28	61.28	65.19	+0.09	1.50
CS Japan	5	153.2	153.2xd	162.9	-2.3	0.35
CS Portfolio Inv ‡	5	70.25	70.25xd	74.73	+0.17	3.66
Canada Life Unit Tst Mngrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	150.1	152.9	160.5	-0.70	2.88
Do Gen Accum	5	253.6	258.3	271.2	-1.00	2.88
Do Income Dist	5	95.52	98.00	102.9	-0.20	5.47
Do Inc Accum	5	225.0	230.9	242.4	-0.40	5.47
Gilt & Fxd Int	5	36.72	36.77	38.61	+0.07	8.31
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Acc	6	74.61	75.34	80.58	-0.17	2.27
Money Market UT	4	49.85	49.85xd	51.85	+0.02	12.92
(Accum Units)	4	55.27	55.27	57.48	+0.02	12.92
North American	6	126.7	126.7xd	135.5	-0.5	0.00
(Accum Units)	6	156.5	156.5	167.4	-0.5	0.00
Smaller Cos	6	153.8	153.8	164.5	+0.8	2.16
(Accum Units)	6	171.1	171.1	183.0	+0.8	2.16
Meridian Income	6	111.3	112.7xd	120.5	-0.1	3.94
(Accum Units)	6	117.1	118.5	126.7	-0.2	3.94
Meridian Growth	6	122.4	123.3	131.9	-0.5	2.16
Midland Personal Pension Unit Trust*						
British	6	62.85	63.61	67.67	-0.33	2.93
European Growth	6	69.12	69.18	73.60	+0.37	0.69
Gilt & Fixed	6	52.56	52.39	55.73	+0.15	8.71
Income	6	56.71	57.67	61.35	-0.14	4.63
Japan Growth	6	64.04	64.37	68.48	-0.76	0.00
Managed	6	58.85	59.75	63.56	+0.13	2.27
Money Market	6	55.93	55.93	59.29	+0.02	12.80
North American	6	59.27	60.45	64.29	-0.23	0.00
Midland PSAVCS Unit Trust*						
British	6	58.26	58.97	62.73	-0.31	2.93
European Growth	6	66.06	66.12	70.34	+0.34	0.69

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Japan Acc	5	127.7	127.7	136.5	-1.9	0.00
Japan Inc	5	127.4	127.4	136.5	-1.9	0.00
Nth American Acc	5	67.41	67.41	71.91	-0.19	0.91
Nth American Inc	5	64.80	64.80	68.93	-0.18	0.91
UK Equity Acc	5	86.68	86.68xd	93.18	+0.06	3.60
UK Equity Inc	5	77.87	77.87xd	83.72	+0.06	3.60
Worldwide Acc	5	115.8	115.8	123.7	+0.4	0.81
Worldwide Inc	5	110.9	110.9	118.4	+0.4	0.81
UK High Inc Eq Acc	5	83.58	83.58	90.22	+0.06	6.96
UK High Inc Eq Inc	5	73.54	73.54	79.38	+0.04	6.96
Hong Kong Acc	5	46.95	46.95	50.09	-0.45	3.46
Hong Kong Inc	5	44.82	44.82	47.82	-0.43	3.46
Swiss Equities Acc	5	40.25	40.25	43.22	+0.1	0.37
Swiss Equities Inc	5	39.89	39.89	42.84	+0.1	0.37
W'wide Bond Acc	3	57.01	57.01	60.19	-0.19	6.99
W'wide Bond Inc	3	54.24	54.24	57.24	-0.17	6.99
Emerging Asia Acc	5	101.5	101.5xd	108.9	+0.5	0.00
Emerging Asia Inc	5	101.5	101.5xd	108.9	+0.5	0.00
UK Money Mkt Acc	0	51.49	51.49	51.49	+0.01	14.00
UK Money Mkt Inc	0	51.49	51.49	51.49	+0.01	14.00
Thailand Inc	5	56.50	56.50	60.50	+0.06	0.38
Thailand Acc	5	56.50	56.50	60.50	+0.06	0.38

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by our purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
3 Harbour Exchange, London, E14 9GJ 01-955 5055						
American ♦	5¼	71.30	71.30	76.25	[illegible]	1.4
Intl Growth ♦	5¼	84.25	84.25	90.10	[illegible]	1.0
Income ♦	5¼	130.6	130.6	139.4	[illegible]	4.7
Japan Growth ♦	5¼	252.4	252.4	269.9	-3.70	0.1
Pacific Perf ♦	5¼	165.2	166.3	177.9	-3.30	0.1
Small Co's ♦	5¼	129.1	129.1	138.0	[illegible]	1.4
Technology	5¼	33.38	33.38	35.70	-0.18	0.1
Australia	5¼	65.83	66.26	70.85	-0.34	3.3
UK Trust ♦	5¼	177.7	177.7	190.0	+0.18	2.6
European Growth ♦	5¼	76.35	76.35	81.66	-0.77	0.1
Hong Kong ♦	5¼	34.99	34.99	37.42	[illegible]	1.8
Intl Income	5¼	22.40	22.40	23.95	[illegible]	7.3
Spain & Iberian Gth	5¼	39.45	39.61	42.37	+0.40	0.1
British Winners ♦	5¼	26.24	26.24	28.06	-0.05	1.8
Japan Smllr Cos ♦	5¼	31.25	31.39	33.58	-0.15	0.1
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.20	16.20	17.23	+0.01	0.00
Pacific Basin	6	30.95	30.95	31.92	-0.34	0.60
Can Balanced Gth	6	49.00	49.00	52.12	-0.06	[illegible]
Global Mgmt	6	0.9978	0.9820	1.0229	+0.08	7.73
Penny Share	6	28.38	28.38	30.19	[illegible]	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	142.1	144.0	153.2	+0.3	5.55
Wellington Growth	5¼	234.9	237.2	252.3	+0.2	1.20
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 298432						
Wessex UK Gwth	4¼	111.0	114.6	119.4	-0.4	4.20
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	2¼	62.60	62.60	64.19	-0.03	0.00
Short Dtd Gilt ♦ F	1¼	82.61	82.61	83.72	-0.07	6.44
U.S. Govnt Bond ♦ F	1¼	5.5804	.5804	.5880	[illegible]	0.00
Willbro Financial Services Ltd (0985)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7531						

	Bid Price	Offer Price	+ or -	Yield Gr's
AEtna Life Insurance Co Ltd—Contd.				
Pension Funds (Accumulation Units)				
Sectoral	15.33	16.47	+0.01	
Bear	17.29	18.20	+0.03	
Def	22.81	24.02	-0.06	
Bull	22.48	23.56	-0.07	
Stag	19.93	20.98	-0.05	
Gilt Edged	13.99		+0.07	
Deposit	15.61		+0.01	
North American	10.84	11.42	-0.01	
European	11.81	12.44	+0.06	
Property	12.12	12.76	+0.09	
Index-Linked	11.99	12.63	+0.04	
Far Eastern	14.01	14.80	-0.06	
UK Equity	15.72	16.55	-0.04	
Fixed Interest	12.22	12.87	+0.07	
Gilt Edged (II)	10.12	10.66	+0.07	
1987 Series				
Managed	297.90	313.58	+0.56	
Pre 1987 Series				
Aetna Life				
3 Way	708.18	708.29	+1.44	
Equity Pensions	1229.09	1229.39	+0.49	
Aetna Pensions Ltd				
3-Way Managed	641.63	641.63	-7.82	
Exempt Approved				
Mixed Managed	219.49	223.97	-0.35	
Gilt Edged	13.99		+0.07	
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc	146.4	154.1	-0.1	
Equity Fd Acc	1079.4	1132.0	+0.3	
European Fd Acc	283.0	297.9	+2.2	
Intl Fxd Int Fd Acc	215.7	227.0		
Fixed Int Acc	350.6	369.0	+0.7	
Gtd Money Fd Acc	244.9	257.7		
High Income Fd Acc	122.5	127.8	+0.1	
Intl Man Fd Acc	433.3	456.0	-1.4	

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	115.0	122.0	+2.0	–
Building Soc. Fd.	178.0	188.0	----	–
Balanced	285.0	300.0	----	–
European	200.0	211.0	+1.0	–
GT Managed	188.0	198.0	-1.0	–
Gartmore Mngd	128.0	135.0	----	–
German	166.0	175.0	----	–
Gilt	174.0	184.0	-1.0	–
Global	49.0	52.0	----	–
High Inc.	103.0	109.0	-2.0	–
International Equity	201.0	212.0	+1.0	–
Japan	291.0	309.0	-1.0	–
Managed	58.0	62.0	----	–
Property	309.0	326.0	----	–
R. W. Imperial Gold	149.0	157.0	+1.0	–
UK Equity	315.0	332.0	-1.0	–
Pension Funds				
American	149.0	157.0	-1.0	–
Building Soc. Fd.	183.0	193.0	+1.0	–
Balanced	224.0	236.0	----	–
European	200.0	211.0	-2.0	–
German	146.0	154.0	+1.0	–
Gilt	153.0	162.0	----	–
International Equity	144.0	152.0	-1.0	–
Japan	148.0	156.0	----	–
Managed	64.0	68.0	----	–
Property	238.0	251.0	----	–
UK Equity	305.0	322.0	-1.0	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232325				
Pensions Managed Fund	94.59	99.98	----	–
Pensions Cash Fund	82.84	87.20	----	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd	615.4	648.5	+1.9	–
Adventurous Mngd	135.3	142.6	+0.5	–
Secure Mngd	110.3	116.3	+0.2	–
Cash Fd	243.7	256.8	+0.3	–

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Guaranteed	13.81		----	–
International Money	212.0	223.2	+0.1	–
North American	77.9	82.1	-0.4	–
Japanese	163.4	172.0	-2.2	–
European	115.2	121.3	+0.3	–
Special Situations	112.7	118.7	-0.2	–
Communications	100.6	105.9	-0.3	–
Smaller Companies	105.7	111.3	+0.2	–
International Small Cos.	140.3	147.7	-0.7	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Dec 20	£166.14	171.32	-0.75	–
Equity Dec 20	£177.37	183.61	-0.14	–
International Dec 20	£29.80	30.47	-0.52	–
Intl Bond Dec 20	£12.90	13.07	-0.01	–
Fixed Int Dec 20	£75.28	76.12	+0.64	–
Index Linked Dec 20	£65.47	66.30	+0.68	–
Property Dec 20	£116.68	123.56	+0.01	–
Cash Dec 20	£22.4210	22.4210	+0.0632	–
Pru-Linked Retirement Plan				
Managed Dec 19	399.2	415.9	----	–
Cash Dec 19	210.1	218.9	----	–
Prudential Pensions Investment Account				
Pens Mngd Dec 21	160.2	172.4	+0.2	–
Pens UK Eq Dec 21	297.0	320.5	+1.1	–
Pens Intl Dec 21	204.5	220.2	-1.2	–
Pens Fixed Dec 21	172.7	182.3	+0.5	–
Pens Index Lk Dec 21	170.6	180.2	+2.3	–
Pens Cash Dec 21	137.1	144.4	----	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	121.7	128.1	+0.3	–
Balanced Ptflio Fd	318.7	335.4	+1.3	–
Cautious Ptflio Fd	124.9	131.4	+0.2	–
Elite Fund	109.6	115.3	+0.2	–
European Fund	97.2	102.3	-0.4	–
Far East Fund	116.4	122.5	-0.6	–
Fixed Interest Fund	248.6	261.6	-0.1	–
International Fund	291.3	306.6	-1.7	–
Money Fund	183.7	193.3	----	–
N. American Fd	125.5	132.0	-0.3	–
Property Fund	397.7	418.6	+1.5	–

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
130	124	Treas 2pc IL '90 (284.6)	134	+½	2.09	9.98
99	98	Exch 11pc 1990	99	+½	11.07	14.80
101	99	Exch. 12½pc 1990	99	+½	12.57	14.62
96	91	Treas. 3pc 1990	96	+½	3.10	11.77
97	95	Treas 8¼pc 1987-90	97	+½	8.45	13.63
98	95	Treas. 8pc Cv 1990	97	+½	8.23	13.56
98	96	Treas. 10pc Cv 1990	97	+½	10.30	13.77
93	87	Exch 2½pc 1990	93	+½	2.68	10.47
101	98	Treas 11¾pc 1991	98	+½	11.95	13.55
93	89	Funding 5¾pc '87-91	93	+½	6.19	11.82
90	86	Treas. 3pc 1991	90	....	3.31	10.32
100	95	Treas 10pc Cv '91	96	+½	10.42	12.92
101	96	Exch 11pc 1991	97	+½	11.30	12.64
94	91	Treas. 8pc 1992	92	-½	8.68	12.56
106	100	Treas 12¾pc 1992	101	+½	12.61	12.11
99	95	Treas 10pc 1992	96	+½	10.42	12.08
94	90	Treas. 8pc 1992	92	+½	8.69	12.01
100	96	Treas 10½pc Cv 1992	97	+½	10.78	11.76
85	82	Treas. 3pc 1992	84	....	3.54	10.10
105	99	Exch 12¼pc '92	100	+½	12.15	11.84
109	103	Exch 13½pc 1992	104	+½	12.96	11.66
94	90	Treas 8¼pc 1993	91	+½	9.01	11.47
100	95	Treas 10pc 1993	96	+½	10.50	11.28
108	101	Treas 12½pc 1993	103	+½	12.11	11.40
88	84	Funding 6pc 1993	85	+½	6.98	10.65
113	106	Treas 13¾pc 1993	107	+½	12.78	11.29
94	89	Treas. 8½pc 1994	90	+½	9.35	11.20
117	109	Treas 14½pc 1994	111	+½	13.06	11.07
113	106	Exch 13½pc 1994	107	+½	12.59	11.22
100	94	Treas. 10pc Ln. 1994	96	+½	10.37	11.02
110	102	Exch. 12¼pc 1994	104	+½	11.95	11.19
96	91	Treas 9pc 1994	92	+½	9.72	10.95

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
108	101	Treas 12pc 1995	103	+½	11.60	11.09
79	72	Exch 3pc Gas 90-95	76	....	3.95	8.68

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅛	847p	Hasbro Inc 50c	11¼	–⅛	16c	–	0.9
57½	32¼	Honeywell $1½	51⅜	+1¼	$2.75	–	3.4
22⅝	15¼	Houston Inds.	22¼	–⅛	$2.96	–	8.5
76⅞	58¼	IBM Corpn $1¼	58¾	–½	$4.84	–	5.2
60p	45p	Image Storage/R.5p.1c.	58p	.....	–	–	–
32¼	18¾	Ingersoll-Rand $2	29¼	+⅛	$1.20	–	2.6
33¼	22½	Lockheed Crpn. $1	24⅜	+⅛	$1.80	–	4.7
22⅝	10⅞	Lone Star Inds $1	10⅞	.....	$1.90	–	11.7
27¾	17½	Louisiana Land 15c	26⅝	.....	$1.00	–	2.3
20½	11½	Lowe's 50c	18⅛	.....	48c	–	1.7
28⅞	15⅞	Manuf. Hanover $1	20¾	+⅛	$3.28	–	9.9
22⅝	13⅞	Merrill Lynch $1	15⅝	+⅛	$1.00	–	4.1
24¼	19⅛	Molex Inc	22⅝	+⅞	3 2c	–	–
30⅛	18⅛	Morgan (JP) $2½	25⅜	+⅛	$1.66	–	4.1
28⅝	24⅛	Morris (Philip)	24⅝	–⅞	$1.13	–	2.9
55¾	36⅛	NYNEX $1	55¼	+⅛	$4.36	–	5.0
44p	16p	N'wide Legal Serv.	19p	–1	–	–	–
24⅞	18¼	PHH Corp.	21⅞	–⅛	$1.16	–	3.4
259p	167p	Pacific Agr.	186p	.....	–	–	–
28⅝	19	Pacificorp $3¼	28⅛	–⅛	$2.76	–	5.9
31½	16⅞	Pacific Telesis 10c	30	.....	$1.88	–	4.0
22⅞	15¼	Pall Corp. 25c	20⅝	–⅛	48c	–	1.5
55⅛	39⅞	Pennzoil 83 1/3c	54⅛	–⅛	$3.00	–	3.5
42¼	28⅛	Quaker Oats $5	35⅞	–⅞	$1.40	–	2.5
32⅛	23½	Rep NY Corpn $5	31½	+⅛	$1.28	–	2.6
16¼	11⅝	Rockwell Intl. $1	13⅞	–⅞	78c	–	3.6
29½	22	Sears, Roebuck 75c	22¼	–⅛	$2.00	–	5.6
37¼	21⅛	Southwestern Bell $1	37⅛	+⅛	$2.60	–	4.4
27¾	17⅞	Sun Co. Inc. $1	25⅜	+⅛	$1.80	–	4.4
31¼	22⅝	TRW Inc. 62½c	30⅛	–⅛	$1.72	–	3.6
24⅞	14⅛	TW Services $5	21⅛	.....	–	–	–
40⅞	26¼	Tenneco $5	37¼	+⅛	$3.04	–	5.1
35½	28	Texaco $6.25	35¼	–⅛	$3.00	–	5.4
28⅝	18⅞	Texas Instr. $1	22	–⅞	72c	–	2.1
117⅝	58⅛	Time Inc. $1	81⅞	–⅞	$1.00	–	0.8
19⅛	13⅞	TRINOVA Corp.	14⅞	+⅛	sb8c	–	2.9
26⅛	16	USX $1	21⅛	–⅛	$1.40	–	4.1
325p	126p	Unilab	325p	.....	–	–	–
36⅝	22¼	Utd. Technologies	32¼	–⅛	$1.60	–	3.1
168p	121p	Utilitech Inc.	149p	.....	–	–	–
48¼	31½	US West	47¼	+½	$3 76	–	5.0
22⅛	11⅞	Waste Management $1	20⅞	–⅞	30c	–	0.9
20½	13½	Whirlpool $1	19⅛	+⅛	$1.10	–	3.6
24⅛	16⅞	Whitman Corp.	17⅛	.....	$1.02	–	3.7
46⅝	28¼	Woolworth $3½	38⅛	–⅛	$1.88	–	3.1

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
186p	129p	ABM Gold Corp	161p	+6	–	–	–
26p	4½p	Abbot Energy Corp.	25¼p	.....	–	–	–
10⅝	401p	Amer. Barrick Res.	10½	.....	–	–	–
39½p	10½p	Armeno	19p	–2½	–	–	–
33¼p	8p	Augmitto Expln.	18p	+2	–	–	–
19⅛	12⅞	Bk. Montreal	17⅛	–2	$2.12	–	6.7
10⅛	655p	Bk. Nova Scot.	851p	–5	92c	–	5.9
831p	599p	BC Gas $1	816p	.....	60c	–	4.0
24¼	17	BCE	23⅛	.....	$2.44	–	5.6
17	12⅛	Brascan	14⅛	–⅛	88c	–	3.3
228p	108p	Breakwater Res.	148p	.....	10c	–	3.7
18¼	11⅛	Can. Imp Bank	16⅞	–⅛	$1.24	–	4.0
15¼	997p	Can. Pacific	13⅛	.....	92c	–	3.7
41½	37	Do. 4pc Deb £100	37	.....	4%	–	10.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

TRUSTS, FINANCE, LAND — Contd

WATER

For Water Issues see London Recent Equities

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha β Beta γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ‡ Not comparable
- ◆ Same interim, reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p.... γ	88	+2
Craig & Rose £1. γ	830	....
Finlay Pkg 5p... γ	61	+1
Holt (Jos) 25p.... γ	1353	+13

IRISH

Cap 6¾% Ln. 1991...	£97	+⅛
9pc Cap Ln. 1996...	£96½	....
Fin. 13% 97/02...	£116	....
Arnotts	408	....
Carroll (P.J.) ... γ	153	−2
Hall (R. & H.) ...	195	.
Heiton Hldgs. .... γ	94	....
IRG...	215xd	....
United Drug	143	....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Asrc (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	13
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	33
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground

THE DOLLAR weakened in quiet foreign exchange trading, as speculation mounted that the Federal Reserve may cut its discount rate after Wednesday's surprising action to add reserves to the New York banking system. There was no further action by the Fed yesterday, and dealers said there was no technical need for the authorities to intervene. Federal funds traded around 8¾ per cent, which is now assumed to be the new target rate, compared with 8½ per cent previously.

Stop loss orders were triggered when the dollar fell through support at DM1.7280. The US currency closed at DM1.7250 in London, compared with DM1.7400 on Wednesday. It also declined to Y143.70 from Y144.00; to SFr1.5575 from SFr1.5620; and to FFr5.8950 from FFr5.9400. According to the Bank of England the dollar's index fell to 67.7 from 68.2.

The trend to sell the dollar was also encouraged by suggestions that the Bank of Japan will increase its discount rate, but in general the market was very thin. There was no further reaction to the US military intervention in Panama or to the latest figures on US personal income and consumption.

European cross rates showed small mixed changes, after a quiet day. The D-Mark was generally firm, reflecting the belief that the West German currency will remain firm in the immediate future. Dealers said that in the near to medium term the prospects for the D-Mark look encouraging. A realignment of the European Monetary System is not ruled out in the new year, although any upward move by the D-Mark against its partners is likely to be restricted because of French resistance. It is widely believed that France will not be prepared to devalue its currency in spite of the underlying weakness of the franc in terms of the D-Mark.

The Italian lira, weakest placed member of the EMS, lost ground to the D-Mark and the French franc in Milan, but there was no sign of intervention by the Bank of Italy.

Trading was also very quiet in Tokyo yesterday. There was very little movement as traders adjusted positions ahead of the end of year holiday period. Speculation about a possible rise in the Japanese discount rate increased on comments from official sources in Tokyo about inflationary pressure caused by the *softness of the* yen and rising oil prices. There was no strong reaction however, amid suggestions that the market has already discounted a rise in Japanese interest rates.

There were *no factors* to move sterling, and the pound was generally on the sidelines, showing mixed changes. It gained 85 points to $1.6125, but fell to DM2.7825 from DM2.7900. Sterling also declined to FFr9.5050 from FFr9.5225, but rose to Y231.75 from Y230.75 and to SFr2.5125 from SFr2.5050. On Bank of England figures the pound's index was unchanged at 86.9.

£ IN NEW YORK

Dec.21	Latest	Previous Close
£ Spot	1.6135-1.6145	1.6060-1.6070
1 month	0.84-0.83pm	0.85-0.84pm
3 months	2.29-2.36pm	2.50-2.48pm
12 months	8.38-8.28pm	8.95-8.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.21	Previous
8.30 am	87.0	86.7
9.00 am	87.0	86.7
10.00 am	87.0	86.7
11.00 am	87.0	86.7
Noon	87.0	86.9
1.00 pm	87.0	86.9
2.00 pm	87.0	86.9
3.00 pm	87.1	87.0
4.00 pm	86.9	86.9

CURRENCY RATES

Dec.21	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.23101	1.37170
U.S Dollar	7	1.30031	1.17336
Canadian $	12.46	1.51044	1.36087
Austrian Sch.	6½	N/A	14.3068
Belgian Franc	10¼	47.7604	42.7163
Danish Krone	10½	8.80180	7.90437
Deutsche Mark	6.00	2.26748	2.03227
Neth. Guilder	7.00	2.56551	2.29440
French Franc	10¼	7.75115	6.93986
Italian Lira	13½	1690.96	1515.99
Japanese Yen	3¾	187.180	168.788
Norway Krone	8	8.71598	7.81871
Spanish Peseta	-	146.860	130.889
Swedish Krona	9½	8.18350	7.36465
Swiss Franc	6.00	2.03564	1.82927
Greek Drach.	20½	207.632	187.715
Irish Punt	-	0.85503	0.770834

‡ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Dec.20

CURRENCY MOVEMENTS

Dec.21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.9	-24.2
U.S Dollar	67.7	-10.4
Canadian Dollar	105.1	+2.1
Austrian Schilling	109.9	+12.0
Belgian Franc	109.3	-3.7
Danish Krone	108.0	+2.8
Deutsche Mark	118.6	+24.9
Swiss Franc	107.0	+15.5
Guilder	114.3	+16.3
French Franc	102.9	-13.2
Lira	99.8	-18.9
Yen	131.7	+62.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Dec.20 .

OTHER CURRENCIES

Dec.21	£	$
Argentina	1593.05-1603.05	995.00-1005.00
Australia	2.0480-2.0500	1.2705-1.2715
Brazil	15.3750-15.4630	9.5410-9.5890
Finland	6.5890-6.6095	4.0945-4.0995
Greece	255.35-259.85	158.70-161.30
Hong Kong	12.5815-12.5945	7.8080-7.8100
Iran	113.40*	70.30*
Korea(Sth)	1079.25-1096.65	674.00-679.40
Kuwait	0.47420-0.47530	0.29600-0.29650
Luxembourg	58.55-58.65	36.30-36.40
Malaysia	4.3465-4.3575	2.6995-2.7025
Mexico	4305.00-4321.00	2670.00-2680.00
N. Zealand	2.6980-2.7020	1.6770-1.6800
Saudi Ar.	6.0075-6.0130	3.7500-3.7510
Singapore	3.0640-3.0710	1.9000-1.9030
S. Af (Cm)	4.1250-4.1355	2.5640-2.5655
S. Af (Fn)	5.8175-5.9245	3.6100-3.6765
Taiwan	42.20-42.30	26.20-26.25
U.A.E.	5.8825-5.8880	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Dec.21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	12⅜-12⅛	12⅛-12	12⅛-11⅞	12⅛-11⅞	11⅞-11⅝	11⅞-11⅝
D. Guilder	8⅝-8⅛	8⅞-8⅝	8⅞-8⅞	8⅝-8½	8⅞-8⅝	8⅞-8⅝
Sw. Franc	9¼-9	9⅛-8⅞	8⅞-8⅝	8⅝-8½	8⅝-8⅛	8⅝-8⅛
Deutschmark	7⅞-7⅝	7⅞-7⅝	8⅛-8⅛	8⅝-8½	8⅝-8⅛	8⅝-8⅛
Fr. Franc	10⅞-10½	10⅞-10⅝	10⅞-10⅞	11-10⅞	11-10⅞	10⅞-10⅞
Italian Lira	13-11	13½-12	12⅝-12⅛	13-12⅝	13-12⅝	13⅛-12⅝
B. Fr. (Fin)	9⅞-9⅝	10-9⅞	10⅛-10	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛
B. Fr. (Con)	10-9⅞	10⅛-9⅞	10⅛-10	10⅛-10	10⅛-10	10⅛-10
Yen	6⅞-6⅞	7⅛-7⅛	7⅛-6⅞	7⅛-6⅞	7⅛-6⅞	6⅞-6⅞
D.Krone	12-11⅞	12⅞-12⅛	12⅞-12⅛	12⅛-12⅛	11⅞-11⅞	11⅞-11⅞
Asian $Sing	8⅞-8⅞	9⅛-9⅛	8⅞-8⅞	8⅛-8⅛	8⅛-8⅛	8⅛-8

Long term Eurodollars: two years 8¼-8⅛ per cent; three years 8⅜-8¼ per cent; four years 8⅞-8⅞ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Dec.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6055-1.6130	1.6120-1.6130	0.91-0.89cpm	6.70	2.49-2.46pm	6.14
Canada	1.8645-1.8750	1.8695-1.8705	0.50-0.42cpm	2.95	1.26-1.10pm	2.52
Netherlands	3.14-3.15½	3.13¾-3.14¾	1⅞-1⅛cpm	6.92	4⅞-4⅝pm	6.05
Belgium	58.40-58.75	58.55-58.65	29-22cpm	5.22	74-64pm	4.71
Denmark	10.81¼-10.87	10.85-10.86	3⅛-2⅞orepm	3.21	7⅞-6⅞pm	2.58
Ireland	1.0505-1.0565	1.0535-1.0545	0.35-0.30ppm	3.70	0.85-0.75pm	3.04
W. Germany	2.77½-2.79½	2.78-2.78½	1⅛-1⅛pfpm	7.28	4½-4⅛pm	6.38
Portugal	243.65-245.30	244.30-245.30	187-269cdis	-11.18	333-574dis	-7.41
Spain	179.00-180.15	179.20-179.50	11-17cdis	-0.94	37-47dis	-0.94
Italy	2072¾-2079¾	2072¾-2073¾	6-4lirepm	2.89	12-9pm	2.03
Norway	10.71¾-10.75½	10.74¼-10.75¼	2⅞-1⅞orepm	2.37	6⅞-5⅞pm	2.28
France	9.49¼-9.54¼	9.50-9.51	3⅞-3½cpm	4.66	9⅞-8⅞pm	3.89
Sweden	10.07½-10.12	10.10¼-10.11¼	3¼-3orepm	3.70	6⅞-6⅛pm	2.54
Japan	231¼-232¼	231¼-232¼	1⅞-1⅛ypm	8.74	4½-4⅛pm	7.66
Austria	19.58-19.66	19.59-19.62	9⅞-8gropm	5.47	29⅞-23⅞pm	5.46
Switzerland	2.50½-2.51¼	2.50¾-2.51¾	1½-1⅛cpm	6.87	3⅞-3⅛pm	6.07
ECU	1.3695-1.3720	1.3695-1.3705	0.49-0.46cpm	4.16	1.26-1.21	3.61

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.55-58.65 Six-month forward dollar 4.93-4.90cpm 12 months 9.00-8.90pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6055-1.6130	1.6120-1.6130	0.91-0.89cpm	6.70	2.49-2.46pm	6.14
Ireland†	1.5215-1.5280	1.5270-1.5280	0.33-0.28cpm	2.40	1.17-1.07pm	2.94
Canada	1.1585-1.1620	1.1605-1.1615	0.35-0.38cdis	-3.78	1.03-1.10dis	-3.68
Netherlands	1.9410-1.9565	1.9485-1.9495	0.05-0.02cpm	0.21	0.05-0.10dis	-0.15
Belgium	36.25-36.45	36.30-36.40	3.00-6.00cdis	-1.48	11.00-16.00dis	-1.48
Denmark	6.70½-6.74	6.73-6.73¼	1.85-2.20oredis	-3.61	6.00-6.50dis	-3.71
W. Germany	1.7205-1.7335	1.7245-1.7255	0.09-0.07pfpm	0.55	0.09-0.06pm	0.17
Portugal	151.40-151.95	151.45-151.55	100-150cdis	-9.87	330-480dis	-10.56
Spain	110.95-111.60	110.95-111.05	62-72cdis	-7.21	270-280dis	-9.87
Italy	1283-1293	1285¼-1285¾	4.60-5.30liredis	-4.60	13.50-14.50dis	-4.34
Norway	6.65½-6.67	6.66¼-6.66¾	2.15-2.50oredis	-4.19	6.30-6.70dis	-3.90
France	5.87¾-5.91¼	5.89¼-5.89¾	1.00-1.10cdis	-2.13	3.45-3.65dis	-2.40
Sweden	6.24-6.27¼	6.26½-6.27	1.47-1.72oredis	-3.05	5.65-6.00dis	-3.72
Japan	143.45-144.00	143.65-143.75	0.22-0.20ypm	1.75	0.52-0.49pm	1.41
Austria	12.17-12.20	12.17-12.17½	0.55-1.75grodis	-1.28	0.60-3.20dis	-0.62
Switzerland	1.5510-1.5595	1.5570-1.5580	par-0.05cdis	-0.19	0.02-0.07dis	-0.12
ECU	1.1705-1.1800	1.1775-1.1785	0.25-0.24cpm	2.50	0.77-0.74pm	2.56

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.30-36.40.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7163	+0.61	+0.61	±1.5508
Danish Krone	7.85212	7.90437	+0.67	+0.67	±1.6453
German D-Mark	2.05853	2.03227	-1.28	-1.28	±1.1762
French Franc	6.90403	6.93986	+0.52	+0.52	±1.3618
Dutch Guilder	2.31943	2.29440	-1.08	-1.08	±1.5272
Irish Punt	0.768411	0.770834	+0.32	+0.32	±1.6689
Italian Lira	1483.58	1515.99	+2.18	+2.18	±4.0410
Spanish Peseta	133.804	130.889	-2.18	-2.18	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Dec.21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.613	2.783	231.8	9.505	2.513	3.143	2073	1.870	58.60
$	0.620	1	1.725	143.7	5.893	1.558	1.949	1285	1.159	36.33
DM	0.359	0.580	1	83.29	3.415	0.903	1.129	744.9	0.672	21.06
YEN	4.314	6.959	12.01	1000.	41.01	10.84	13.56	8943	8.067	252.8
F Fr.	1.052	1.697	2.928	243.9	10.	2.644	3.307	2181	1.967	61.65
S Fr.	0.398	0.642	1.107	92.24	3.782	1	1.251	824.9	0.744	23.32
H Fl.	0.318	0.513	0.885	73.75	3.024	0.800	1	659.6	0.595	18.64
Lira	0.482	0.778	1.342	111.8	4.585	1.212	1.516	1000.	0.902	28.27
C $	0.535	0.863	1.488	124.0	5.083	1.344	1.681	1109	1	31.34
B Fr.	1.706	2.753	4.749	395.6	16.22	4.288	5.363	3538	3.191	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100% [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100% [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100% [illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1) [illegible]

LIFFE EURODOLLAR OPTIONS $1m points of 100% [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100% [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 [illegible]

POUND-$ (FOREIGN EXCHANGE) [illegible]

IMM-STERLING $ per £ [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% [illegible]

STANDARD & POORS 500 INDEX $500 times index [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1) [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100% [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% [illegible]

THREE MONTH STERLING £500,000 points of 100% [illegible]

THREE MONTH EURODOLLAR $1m points of 100% [illegible]

THREE MONTH EUROMARK DM1m points of 100% [illegible]

THREE MONTH ECU ECU1m points of 100% [illegible]

FT-SE 100 INDEX £25 per full index point [illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 21,636

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Rates hold steady

RATES HELD steady on the London money market yesterday, with three-month interbank quoted unchanged at 15¼-15⅛ per cent. Trading was *quiet in the run up to the Christmas holiday.*

Trading was also subdued on the financial futures market. Short sterling for March delivery opened unchanged at 85.67, but closed at the day's low of 85.62.

The Bank of England initially forecast a small money market credit shortage of £100m, but revised this to a shortage of £300m at noon. Total help of £332m was provided.

Before lunch the authorities bought £119m bills outright, by way of £86m Treasury bills in band 1 at 14⅞ per cent and £33m bank bills in band 1 at 14⅞ per cent.

In the afternoon another £88m bills were purchased, via £13m Treasury bills in band 1 at 14⅞ per cent; £14m bank bills in band 1 at 14⅞ per cent; £1m Treasury bills in band 2 at 14⅞ per cent; and £60m bank bills in band 2 at 14⅞-14⅞ per cent. Late assistance of around £125m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £545m, with a rise in the note circulation absorbing £230m. *These factors outweighed* Exchequer transactions adding £620m to liquidity and bank balances above target of £70m.

In Frankfurt call money eased to 7.40 per cent from 7.50 per cent as banks remained well supplied with liquidity. *A net inflow of DM5.5bn this* week from the Bundesbank's securities repurchase agreement tender is expected to offset a drain caused by heavy tax payments this month.

On Tuesday bank's holdings at the Bundesbank fell to DM55.8bn, from DM56.8bn on Monday, to average DM60.1bn per day for the first 19 days of December. A daily average reserve requirement of DM58bn is expected for the whole of the month. Banks drew down only DM100bn in emergency Lombard funds on Wednesday and no money under this facility on Tuesday, indicating that there is no strong pressure on the monetary system at present.

According to dealers some upward pressure on call money could develop as tax payments are made, and banks are also likely to err on the side of caution in their borrowing requirements ahead of the Christmas holiday period.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.21) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8⅜	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10½	One month	7.28	Three year	7.70
Broker loan rate	9½	Two month	7.72	Four year	7.67
Fed.funds	8¾	Three month	7.81	Five year	7.68
Fed.funds at intervention	-	Six month	7.77	Seven year	7.79
		One year	7.63	10-year	7.77
		Two year	7.64	30-year	7.85

Dec.21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.35-7.45	7.90-8.05	7.90-8.05	7.90-8.05	8.00-8.20	8.00
Paris	10⅛-10⅝	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	9.50
Zurich	7⅞-7⅞	8⅞-8⅞	-	8⅞-8⅞	-	-
Amsterdam	8.35-8.45	8.53-8.63	-	8.53-8.63	-	-
Tokyo	6⅞-6⅞	6⅞-6⅞	-	6⅞-7	-	-
Milan	12⅞-12⅞	13-13½	-	13-13½	-	-
Brussels	7.55	10-10⅛	-	10⅛-10⅛	-	-
Dublin	11⅛-11⅛	11⅞-11⅞	11⅞-11⅞	11⅞-12	12⅛-12⅛	-

LONDON MONEY RATES

Dec 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅞	15⅛	15⅛	15⅛	15	14⅞
Interbank Bid	14	14⅞	15⅛	15	14⅞	14⅞
Sterling CDs	-	-	15⅛	15⅛	14⅞	14⅞
Local Authority Deps.	14⅞	15⅛	15⅛	15⅛	14⅞	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15⅛	15⅛	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15	14⅞
Finance House Deposits	-	-	15⅛	15⅛	14⅞	14½
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅞	15⅛	14⅞	-
Dollar CDs	-	-	8.75	8.35	8.13	7.95
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	8⅞
SDR Linked Dep. Bid	-	-	8⅞	8⅞	8⅞	8⅞
ECU Linked Dep. Offer	-	-	11	11⅛	11⅛	11⅛
ECU Linked Dep. Bid	-	-	10⅞	10⅞	11	11

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell); one-month 14⅞ per cent; three months 14½ per cent; Treasury Bills; Average tender rate of discount 14.4938 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30 1989 . Agreed rates for period December 26 1989 to January 23 , 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Nov.1 1989 to November 30 , 1989, Scheme IV&V: 15.148 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from December 1 , 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Comm Bk N.East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	15	Norwich Gen. Trust	15
Allied Arab Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Duncan Lawrie	15	Provincial Bank PLC	15
Associates Cap Corp	15	Equatorial Bank plc	15	R. Raphael & Sons	15
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe Guarantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co	15	● Smith & Williamson Secs	15
Bank Hapoalim	15	Robert Fraser & Ptrs	15½	Standard Chartered	15
Bank Leumi (UK)	15	Girobank	15	TSB	15
Bank Credit & Comm	15	● Guinness Mahon	15	United Bk of Kuwait	15
Bank of Cyprus	15	● Hambros Bank	15	United Mizrahi Bank	15
Bank of Ireland	15	Heritable & Gen Inv Bnk	15	Unity Trust Bank Plc	15
Bank of India	15	● Hill Samuel	§15	Western Trust	15
Bank of Scotland	15	C. Hoare & Co	15	Westpac Bank Corp	15
Banque Belge Ltd	15	Hongkong & Shanghai	15	Whiteaway Laidlaw	15½
Barclays Bank	15	● Leopold Joseph & Sons	15	Yorkshire Bank	15
Benchmark Bank PLC	15	Lloyds Bank	15		
Brit Bk of Mid East	15	Meghraj Bank Ltd	15		
● Brown Shipley	15	Midland Bank	15		
CL Bank Nederland	15	Mount Banking	15		
● Charterhouse Bank	15	Nat Bk of Kuwait	15		
Citibank NA	15	NatWestminster	15		
City Merchants Bank	15				
Clydesdale Bank	15				

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Cavendish 8.5%, Top Tier-£10,000+ instant access 12.8% § Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

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GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
343	275	Ass. Brit. Ind. Ordinary	337	0	10.3	3.1	9.1
38	25	Armitage and Rhodes	37	[illegible]	[illegible]	[illegible]	[illegible]
210	149	Bardon Group (SE)	164xd	+1	4.3	2.6	13.9
125	102	Bardon Group Cv Pref (SE)	104	[illegible]	[illegible]	[illegible]	[illegible]
123	74	Bray Technologies	76	[illegible]	[illegible]	[illegible]	[illegible]
110	48	Breedmill Conv. Pref	98	[illegible]	[illegible]	[illegible]	[illegible]
104	99	Breedmill 8¼% New C.R.P.P.	99	[illegible]	[illegible]	[illegible]	[illegible]
310	285	CCL Group Ordinary	310xd	[illegible]	[illegible]	[illegible]	[illegible]
176	165	CCL Group 11% Conv.Pref	173	[illegible]	[illegible]	[illegible]	[illegible]
225	140	Carbo Plc (SE)	210	[illegible]	[illegible]	[illegible]	[illegible]
110	109	Carlo 7.5% Pref (SE)	110	[illegible]	[illegible]	[illegible]	[illegible]
7.5	1.5	Magnet Co Non-Voting A Cm	1.5xs	[illegible]	[illegible]	[illegible]	[illegible]
5	0.75	Magnet Co Non-Voting B Cm	0.75xs	[illegible]	[illegible]	[illegible]	[illegible]
130	117	Isis Group	120	[illegible]	[illegible]	[illegible]	[illegible]
145	58	Jackson Group (SE)	108	[illegible]	[illegible]	[illegible]	[illegible]
322	261	Multihouse NV (AmstSE)	277	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Robert Jenkins	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
467	365	Scrutons	370	[illegible]	[illegible]	[illegible]	[illegible]
300	270	Torday & Carlisle	299	[illegible]	[illegible]	[illegible]	[illegible]
117	100	Torday & Carlisle Conv Pref	104	[illegible]	[illegible]	[illegible]	[illegible]
122	76	Trevian Holdings (USM)	80xd	[illegible]	[illegible]	[illegible]	[illegible]
160	106	Unitrust Europe Conv Pref	160	[illegible]	[illegible]	[illegible]	[illegible]
395	355	Veterinary Drug Co. PLC	358	[illegible]	[illegible]	[illegible]	[illegible]
370	306	W.S Yeates	306	[illegible]	[illegible]	[illegible]	[illegible]

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Crédit National

FF 500,000,000

Guaranteed Floating Rate Notes due 1991

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from December 27, 1989 to March 27, 1990 the Notes will carry an interest rate of % per annum.

The interest payable on the relevant interest payment date, March 27, 1990, will be FF per Note of FF 10,000 nominal and FF per Note of FF 100,000 nominal

The Reference Agent

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IG INDEX

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CROSSWORD

No.7,122 Set by MUTT

ACROSS

1 Underground dog-track? (8)
5 Academic sort of chap (6)
9 A mashed veg, Reg, I find to cause pain (8)
10 Bang-on hairstyle (6)
12 Entertained without a thought (5)
13 Dress mother for the part - what a palaver (9)
14 A little wave of anger about double-parking (6)
16 Delete, take note, being fabricated in Cumbria (7)
19 The inspiration of greater affection? (7)
21 Scrape a trick (6)
23 Begin to talk about one needing a drink (9)
25 Argues, missing the point - but making up is sweet (5)
26 Sailor and newspaperman get pickled (6)
27 Commonly fooled around collecting scrap of various kinds (8)
28 What's just happened? (6)
29 Said to be known as a man with pot (8)

DOWN

1 Shellfish I'm surprised to find damp (6)
2 Military planning record is for jacks (6)
3 Rising painter takes one in: it's the old story (5)
4 Parson on the take in a dream (7)
6 Reserved meek radar operative (3-6)
7 The language takes some struggling over (5)
8 That's enough, some say: the right girl will turn up any time (8)
11 A little frog, relative of a man-eating monster? (4)
15 Down-and-out writer takes river steamer (9)
17 A lot a girl would give to be a river-dweller (8)
18 Vehicle goes over bird on roundabout (8)
20 Loony oriental levitating the cheese (4)
21 Uplifting article, I see, starts with father making a bloomer (7)
22 Doctor has a longing to embrace dead poet (6)
24 A small piece of land is to rent (5)
25 A lot of fish in the shallow (5)

Solution to Puzzle No.7,121

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
Closing prices December 20

[illegible]

MONTREAL
Closing prices December 20

[illegible]

INDICES

NEW YORK DOW JONES

	Dec 20	Dec 19	Dec 18	Dec 15	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2687.93	2695.61	2697.53	2739.55	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.48	93.43	93.47	93.37	94.15 (2/8)	87.35 (23/3)		
Transport	1136.74	1139.22	1140.85	1170.70	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	233.84	233.65	233.65	235.98	235.98 (15/12)	181.84 (3/1)	235.98 (15/12/89)	10.50 (8/4/32)

♦Day's High 2719.07 (2720.14) Low 2667.02 (2658.76)

STANDARD AND POOR'S

	Dec 20	Dec 19	Dec 18	Dec 15	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	342.84	342.46	343.69	350.14	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	391.86	392.45	393.60	399.80	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	29.90	29.28	29.53	30.90	35.24 (9/10)	24.38 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	189.54	189.40	190.17	193.45	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	368.18	367.95	370.86	375.50	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	436.94	434.35	436.03	443.84	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 15	Dec 8	Dec 1	year ago (approx.)
Dow Industrial Div. Yield	3.89	3.90	3.87	3.73

	Dec 13	Dec 6	Nov 29	year ago (approx.)
S & P Industrial div. yield	2.90	2.92	2.96	3.15
S & P Indl. P/E ratio	14.92	14.82	14.59	12.86

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Ag Edwards	5,713,200	22¼	+ ¼
Am T & T	2,940,300	44¼	– 1¼
Walt Disney	2,453,000	112	– 11⅛
S East Bk	2,287,600	18⅝	+ ⅛
Philip Morris	2,230,300	40⅛	– ¼
Fannie Mae	1,964,000	34⅛	+ 1⅞
McDonalds	1,631,800	33	– ½
IBM	1,516,300	94⅝	– ⅛
Blockbuster	1,466,300	15⅞	+ ⅛
Citicorp	1,454,400	28	+ 1

TRADING ACTIVITY

† Volume (Millions)	Dec 20	Dec 19	Dec 18
New York	176.520	186.060	187.066
Amex	12.768	12.060	13.822
NASDAQ	152.431	163.625	146.692
Issues Traded	1,985	1,992	1,988
Rises	763	514	350
Falls	740	1,016	1,279
Unchanged	482	462	359
New Highs	38	25	52
New Lows	120	146	122

CANADA TORONTO

	Dec 20	Dec 19	Dec 18	Dec 15	1989 HIGH	1989 LOW
Metals & Minerals	3312.33	3303.59	3334.35	3346.51	3919.2 (1/9)	3207.5 (3/1)
Composite	3920.15	3915.80	3958.54	3986.20	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1997.05	1995.03	2022.05	2037.59	2069.68 (10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 21	Dec 20	Dec 19	Dec 18	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1639.6	1638.2	1632.4	1627.2	1781.8 (29/9)	1412.9 (7/4)
All Mining (1/1/80)	835.5	831.4	822.3	819.5	[illegible]	652.5 (7/4)
AUSTRIA						
Cred. Aktien (30/12/84)	460.48	457.00	456.75	460.40	515.09 (11/10)	214.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6400.32	6382.19	6363.08	6399.29	6895.20 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	356.97	355.63	357.04	358.00	360.93 (6/12)	275.49 (2/1)
FINLAND						
Unitas General (1975)	625.9	623.6	620.0	612.6	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	547.3	538.7	533.7	541.6	561.6 (11/10)	417.9 (4/1)
Ind. Tendance (30/12/88)	127.0	125.1	124.9	125.1	129.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	702.34	700.70	688.47	686.12	702.34 (21/12)	535.76 (27/2)
Commerzbank (1/12/53)	2073.4	2067.7	2030.7	2024.4	2073.4 (21/12)	1595.7 (27/2)
DAX (30/12/87)	1676.47	1675.01	1647.50	1634.57	1676.47 (21/12)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2867.69	2868.49	2879.42	2900.21	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1746.43	1749.45	1734.09	1744.55	1849.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	683.43	679.85	677.46	679.59	734.84 (31/5)	577.49 (20/2)
JAPAN						
Nikkei (16/5/49)	38215.48	38512.00	38439.10	38586.18	38586.18 (18/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2826.76	2849.17	2852.59	2884.80	2884.80 (18/12)	2366.91 (6/1)
2nd Section (4/1/68)	3837.67	3845.15	3850.48	3866.95	3866.95 (18/12)	2774.38 (27/3)
NETHERLANDS						
CBS Tnl Rtn Gen. (End 1983)	(u)	260.5	257.9	257.9	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	(u)	199.8	197.9	199.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	669.57	671.07	671.67	674.25	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1048.68	1028.10	985.66	977.44	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1472.44	1459.89	1452.18	1460.02	1472.44 (21/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2104.0‡	2122.0	2174.0	2213.0	2254.0 (12/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2750.0‡	2759.0	2920.0	2907.0	2939.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	932.66	933.45	926.92	914.92	1007.80 (3/4)	844.75 (11/12)
SPAIN						
Madrid SE (30/12/85)	296.47	298.11	300.69	302.48	329.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4146.7	4146.7	4127.3	4143.2	4660.3 (16/8)	3323.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	756.7	753.9	751.1	745.7	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8516.11	8622.58	8706.24	8674.53	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	837.22	833.88	824.94	815.93	837.22 (21/12)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	553.3	553.5	567.4	562.5 (13/12)	487.6 (13/6)

**Saturday Dec 16: Taiwan Weighted Price 8548.96 Korea Comp Ex. 921.87.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500, (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday December 21 1989

	Stocks Traded	Closing Prices	Change on day
Mitsui OSK Lo	19.9m	1,110	-10
Nippon Mining	13.9m	1,120	-30
Nissho Iwai	12.9m	1,180	-20
Jpn Synth Rbr	10.9m	1,390	-30
Toyobo	10.8m	880	-3
Sumitomo Metal	10.2m	888	-10
C.Itoh	10.1m	1,160	-30
Ebara	9.5m	2,200	+60
Nippon Oil	8.3m	1,900	-70
Marubeni	8.0m	1,080	+10

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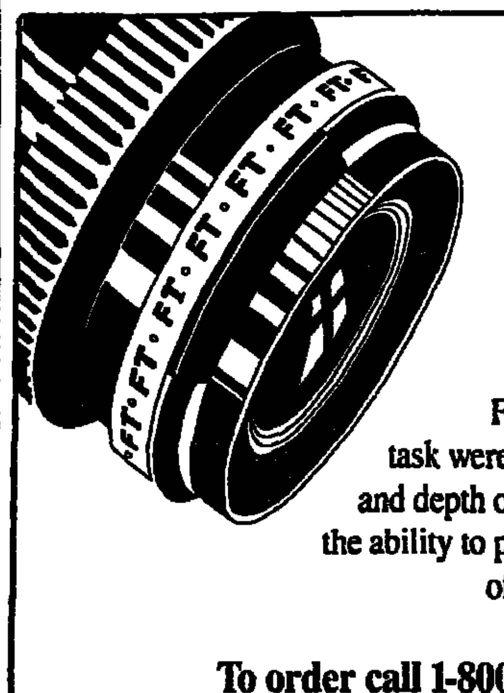

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1pm prices December 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24	AAR	.48	1.4	21	452	34⅝	34	34⅜	+⅛
9⅝	8⅜	ACM n	1.01	11.		245	9¼	9⅛	9⅛	−⅛
11⅝	10⅛	ACMIn	1.26	12.		758	11	10⅞	10⅞	
10	8	ACM M	n1.01	11.		161	9	8⅞	8⅞	
11½	10	ACM Sc	1.26	12.		864	11	10⅞	10⅞	−⅛
9⅝	8⅜	ACMSp	1.01	11.		753	9⅛	8⅞	9	
18	11½	AL Lab	.16	.9	18	34	17½	17⅜	17½	−⅛
4⅛	3⅞	AMCA	.12e	3.4	9	33	3⅝	3½	3½	
6¼	4⅛	AM Intl			9	1034	4¼	4⅛	4⅛	−⅛
23½	17¾	AM In pf	2	12.		387	17⅞	d17	17	−⅞
107¼	51½	AMR			7	2452	59⅞	59	59⅛	+⅞
6½	3¼	ARX				82	3¼	3⅛	3¼	
59¼	37⅞	ASA	3a	5.3		351	57⅞	56¾	56⅞	−⅞
30½	16¼	AVX	.24	.8	29	341	29⅞	28¾	28¾	−⅛
70⅝	48¼	AbtLab	1.40	2.1	16	1784	66⅞	65⅞	66⅞	+1½
19⅛	11⅞	Abitibi g	1			81	11⅞	11⅞	11⅞	−⅛
13	8½	AcmeC	.40	3.6	14	29	11⅛	11	11	
9¾	6	AcmeE	.32	3.7	12	4	8¾	8¾	8¾	−⅛
38½	22	Acuson			21	738	31	30⅝	31	+⅛
15⅝	12⅞	AdaEx	2.08e	13.		93	15½	15⅜	15⅜	
13⅞	6½	Adobe				134	13⅝	13½	13⅝	
19⅝	18½	Adob pf	1.84	9.6		47	19¼	19⅛	19¼	
21⅝	19⅞	Adob pf	2.40	11.		1	21⅛	21⅛	21⅛	
10½	7¼	AMD				3397	7⅜	7⅜	7⅜	
35	28½	AMD pf	3	10.		7	29⅝	29⅜	29⅝	
10⅛	6⅝	Advest	.16	2.1	11	19	7⅞	7½	7½	−⅛
62½	48¼	AetnLf	2.76	5.0	9	2445	56½	55½	55⅝	−½
14	11	AlliPb	.24	2.1		1186	11½	11¼	11½	+⅛
25	15¼	Ahmans	.88	5.1	9	1563	17½	17	17⅛	−⅛
3⅞	2⅛	Aileen				4	2½	2⅜	2⅜	−⅛
48¾	39⅝	AirPrd	1.32	2.9	11	889	46	45¼	45¼	+⅛
39⅝	19⅝	AirbFrt	.60	1.8	17	244	34⅛	32¾	33⅛	−1¼
25⅛	14½	Airgas			13	15	22⅞	22⅞	22⅞	+⅛
20¾	18⅛	Airlease	2.40	12.	11	20	19⅞	19¾	19⅞	+⅛
10¼	8½	AlaP dpf	.87	9.1		13	9⅝	9⅝	9⅝	−⅛
98⅝	88¼	AlaP pf	9	9.3		z200	96½	96½	96½	
103½	93	AlaP pf	9.44	9.3		z500	101⅞	101¼	101¼	−⅛
93	80⅛	AlaP pf	8.16	9.0		z8000	91⅛	90⅞	91⅛	−⅞
91	80⅞	AlaP pf	8.28	9.3		z20	89⅛	88⅛	88⅛	−⅛
30½	19⅝	AlskAir	.20	1.0	7	1426	20⅞	20⅛	20⅛	−⅛
23½	15⅛	Albnyin	.35	1.9	12	20	19	18⅞	18⅞	−⅛
53⅝	32¾	Alberto	.38	.8	18	15	49¼	43¼	43¼	+⅛
41½	25½	AlbCulA	.36	1.1	15	161	33⅞	33⅛	33⅞	+⅛
60¼	36⅝	Albtsn	.80	1.5	17	1018	54	53¼	53⅛	+⅝
25⅛	20⅛	Alcan s	1.12	5.0	5	1778	22⅞	22⅛	22⅛	+⅛
36⅝	25⅜	AlcoStd	.84	2.5	12	6349	33⅛	32½	33	−½
34	22⅝	AlexAlx	1	3.3	21	721	30⅝	30⅛	30⅝	+⅛
71⅞	50¼	Alexdr			29	274	54⅞	53	54⅞	+1⅞
108½	70	AllegCp	1.63t	1.8	11	5	92¼	92	92	−⅞
2⅛	⅛	vjAlgInt				246	5-16	⅛	⅛	−1-32
4⅞	11-64	vjAlgI pr				210	11-64	d5-32	5-32	−1-64
15⅛	9-16	vjAll pfC				2	⅝	⅝	⅝	−1-16
41⅞	29⅛	AlgLud	1.20	3.0	7	36	40¼	40	40⅛	+⅛
42½	35⅝	AllgPw	3.16	7.7	11	856	41	40⅞	40⅞	−⅛
16⅞	9	AllenG			15	186	10⅛	9½	10	+⅜
19⅞	11⅛	Allen pf	1.75	12.		14	14⅛	14⅛	14⅜	+½
25½	15⅝	Algn n	.05e	.3		2135	17⅛	16⅞	17⅛	+⅛

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	9½	RollinE	.05	.5		860	13	12⅞	12⅞	
21	16⅞	Rollins	.56	3.0	18	10	18⅞	18⅞	18⅞	
48	38½	Rorer	.84	1.9	21	1242	45⅞	44⅞	45⅛	+ ⅛
11⅞	5½	Rowan				622	11	10⅞	10⅞	− ⅛
25⅜	23¼	RBSct pr				115	24⅞	24⅝	24⅝	− ⅛
77½	56¼	RoylD	a3.36e	4.5	7	3443	75¾	74½	74⅝	− ¾
16	8½	Roylnt	.20e	2.3	11	253	9¼	8½	8⅞	− ⅛
10	7⅝	Royce	.51e	5.4		91	9⅞	9⅜	9⅜	− ⅛
37⅛	24⅞	Rubmd	.52	1.4	25	280	36	35¼	35⅞	− ⅛
21⅛	14⅛	RussBr	.40	2.7	17	8	14⅝	14⅝	14⅝	− ⅜
15	10⅝	RussTg	.20	1.9	210	175	10⅞	10½	10½	− ⅜
25⅞	15½	RussellT	.28	1.2	15	76	23	22⅞	23	+ ½
31⅛	19¼	Ryder	.60	2.9	20	1681	20⅞	20⅝	20⅝	+ ⅛
29½	19⅞	Rykoff	.60	2.7	14	287	21⅞	21⅝	21⅞	+ ⅛
25⅞	16¼	Ryland	.60	3.2	7	2414	19⅛	18⅞	18⅞	− ⅜
14⅞	8⅞	Rymer				27	11⅛	11⅛	11⅛	− ⅛
10⅝	7¼	Rymer pfl.17		12.		15	10⅛	9⅞	10⅛	+ ⅛
		− S − S − S −								
40⅞	31	SCEcp	2.56	6.4	11	1055	40⅞	40⅛	40⅛	− ⅛
14½	7¼	SCOR U	.20e	1.6	13	31	12⅝	12½	12⅝	
9½	7⅞	SL Ind	.17b	2.1	14	1	8⅛	8⅛	8⅛	
60⅛	41⅞	SPSTec	1.28	3.0	11	25	43½	43	43¼	
35⅞	26⅞	SPX Cp	1	3.6	8	150	28¼	27⅞	28	
22½	11¼	Saatchi	.48e	4.0		1582	12⅛	11⅞	12	+ ⅛
14⅞	11¾	SabnR	1.38e	11.	9	41	12½	12⅛	12⅝	
7	4⅞	Salecrd	.10	1.9	8	315	5⅝	5¼	5⅜	+ ⅛
19	12⅞	StgdSc			11	24	13⅞	13½	13½	− ⅛
35¾	23½	SaftKln	.36	1.2	22	865	29⅞	28⅞	29⅝	+ ⅝
9⅞	8⅛	SalnCas	1.12	13.	70	32	8½	8⅜	8⅜	
28⅞	11⅞	Salant			13	59	12⅝	11¼	11⅞	− ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	21⅛	XTRA pf1.94		8.8		20	22	21⅞	22	+ ⅛
4⅛	2	Zapata				555	3⅛	3	3⅛	− ⅛
13⅛	7⅞	Zemex	.20	2.5		10	8⅛	8	8	
21½	11½	ZenlthE				639	12⅝	12⅛	12½	+ ½
21½	16½	ZenNt	.84	4.6	8	172	18⅛	18	18⅛	+ ⅛
10	6⅞	Zenix	1.20	17.		385	7⅛	d 6⅞	6⅞	− ⅛
18½	12⅞	Zero s	.40	2.8	13	68	14¼	14⅛	14⅛	
44⅛	25⅛	Zurnln	.76	2.1	17	220	37	36½	37	+ ⅛
12⅞	10	Zweig	1.12e	9.1		182	12⅛	12⅛	12⅛	
9⅞	8⅛	ZweigTl	.98	9.8		494	9⅞	9⅝	9⅝	− ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices December 21

NASDAQ NATIONAL MARKET

1pm prices December 21

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WhtyJ A	1.10	60	10	55	55	55	
Willamt	1.45	7	278	50¼	49¾	50¼	+ 1
WlmTr	1.24	11	448	36¼	36	36¼	
WiserO	.40	34	103	20¼	20	20¼	+ ⅛
Wolohn	.20b	9	5	17	17	17	+ ½
WrlEx h			1747	13⅛	12⅞	13	+ ⅛
Worthg	.56	17	1321	23⅛	22½	23	− ⅛
Wyman	.80		99	14¼	14⅛	14⅛	
		− X − Y − Z −					
XL Dta s		5	309	8	7⅞	7⅞	+ ⅛
XOMA			247	22⅛	22¼	22¼	− ⅛
Xicor		7	826	3⅝	3⅛	3⅝	+ ⅛
YorkLnS	.76e	13	20	21½	21	21	
YelowF	.28	12	292	27⅛	26⅛	27⅛	+ ⅜
YorkRs			608	u 9⅛	8⅞	9⅛	+ ⅜
ZionUt	1.44		40	27⅛	27	27⅛	+ ⅛

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AMERICA

Optimism over Fed easing sends Dow higher

Wall Street

OPTIMISM following the easing of monetary policy by the Federal Reserve helped push equities higher yesterday morning in fairly active trading, *writes Karen Zagor in New York.*

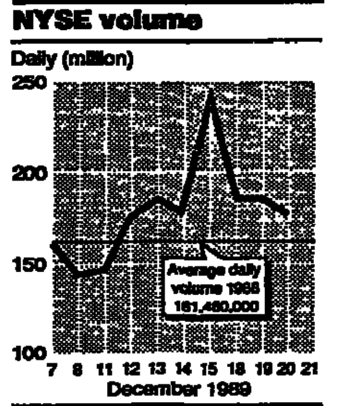
After jumping more than 12 points in the first half hour of trading, in what traders described as a belated reaction to the Federal Reserve's easing of interest rates, the Dow Jones Industrial Average fell back in the morning. At 2 pm, the Dow was up 8.32 points at 2,696.25.

Volume on the New York Stock Exchange was moderate, with more than 106m shares changing hands.

Concern about a possible recession next year continues to haunt the equity market. Although personal income for November rose 0.8 per cent, well above the 0.4 per cent expected on Wall Street, there are still concerns that the economy may not show any growth in the present quarter.

The greater-than-expected increase in personal income was attributed mainly to unusually high rentals because of the earthquake in California in October. Furthermore, wages and salaries, the most important component, increased only 0.1 per cent in the month.

Personal consumption expenditure, which accounts for two-thirds of gross national product, rose 0.7 per cent in November, compared with a decline of 0.2 per cent in October. However, when consumption is adjusted for inflation in the first two months of the current quarter, it falls below the third-quarter pace, according to Mr Raymond Stone, managing director of Stone & McCarthy Research.



Among featured stocks, Caterpillar fell $1⅛ to $57⅞ after the company said fourth-quarter income was unlikely to reach the third-quarter level of $1.07 a share. Analysts had expected fourth-quarter profits to outpace those of the previous quarter. Caterpillar added that profits and sales would be under pressure for most of 1990.

Some defence issues posted gains as US military action in Panama showed no sign of ending. Raytheon, the electronics and aviation company, gained $1⅛ to $67¼, Boeing added $1⅛ to $58¾ and General Electric rose $⅝ to $62¾.

UAL, parent of United Airlines, added $2⅞ to $159⅞ amid reports that Conniston Partners had set a January 8 deadline for a new, employee-led leveraged buy-out offer and said it would recapitalise the company if the deadline was not met.

Commonwealth Edison fell $1⅛ to $38⅞ in active trading after the Illinois Supreme Court ruled that the company's rate settlement with state regulators was illegal.

Walt Disney regained some of the previous day's losses, gaining $1⅛ to $113⅞. The company plummeted $11⅞ on Wednesday amid concerns about its earnings prospects.

Canada

BARGAIN-HUNTING among second-tier shares boosted Toronto stocks by midday. The composite index firmed 12.6 to 3,932.8. Advances led declines 274 to 160. Trade was light at 11m shares, with institutions winding down before the holidays.

Placer Dome fell C$⅛ to C$22. The company said it was seeking buyers for its oil and gas operations.

EUROPE

Paris welcomes new account with solid gain

MUCH of Europe was in strong form yesterday, although some of the gains were technical rather than fundamental, *writes Our Markets Staff.*

PARIS bounced up by nearly 1.5 per cent at the start of the monthly trading account, for which settlement is not due until next year. The OMF 50 index climbed 7.79 to 540.34 and the CAC 40 index was up 25.52 at 1,976.83.

Some of the buying appeared to be by investors with call options who were eager to pull the index up, said one analyst. Turnover was thought to be above FFr3bn, after FFr3.2bn on Wednesday.

Paribas fell FFr8 to FFr734 as investors took profits after its FFr38 rise in the previous two days. The Paribas board meets today and there has been speculation that Navigation Mixte, the target of its unsuccessful bid, has been buying in order to put on the pressure. There appeared to be some switching into Suez, which gained FFr11.80 to FFr453.80.

Drouot Assurances jumped FFr25 to FFr385 before today's extraordinary general meeting of Axa-Midi to approve the full takeover of Drouot.

Among strong gains was UCB, a credit subsidiary of Compagnie Bancaire, which surged FFr25.70, or 11.7 per cent, to FFr245.00. Club Med, the holiday group, was lifted FFr19 to FFr708 by its 15.8 per cent rise in annual turnover.

The oil sector remained firm, with Elf Aquitaine adding FFr10.20 to FFr503 in active trading.

FRANKFURT hung on to the strong gains made earlier this week, closing a little higher. In spite of reduced institutional activity before Christmas, volume remained heavy.

The DAX index finished 1.46 higher at another record of 1,676.47, after hitting 1,680.70 earlier. The FAZ index added 1.64 to a second consecutive post-crash high of 702.34. Turnover was DM6.8bn, down a little from Wednesday's DM7.8bn.

Industrial, steel and engineering issues continued to be sought, while the bigger blue chips attracted profit-taking.

Thyssen slipped 80 pfg to DM263.50. News that the Government had approved the DM2.2bn Transrapid rail system developed by Thyssen, to link Düsseldorf and Cologne airports, had been discounted.

Hugo Boss, the menswear company, dropped DM70 to DM1,520 after its suspension on Wednesday for the announcement that Leyton House, the Japanese clothing group, was taking a majority stake.

ZURICH retained its firm tone, moving a little higher in moderate trading. The Credit Suisse index added 2.8 to 613.2.

Engineering company Brown Boveri gained SFr40 to SFr5,140 after Asea of Sweden said that the Asea Brown Boveri holding company had raised its capital by SFr780m to SFr2.38bn. Banking stocks were active; Union Bank bearers gained SFr40 to SFr3,915.

MILAN ended a steady session slightly higher in turnover thought to be similar to the previous day's modest L200bn.

Enimont finished L9 up at L1,659 before falling to L1,647 after the close, and Montedison, part owner of the chemical concern, lost L38 to L2,115, amid uncertainty over whether Parliament would approve a tax break for Enimont.

AMSTERDAM featured a plunge in the shares of Borsumij Wehry, the trading company, which revised its profit forecast for the year down sharply. The rest of the market was subdued, and the CBS tendency index closed 1.0 lower at 181.9 in thin turnover.

Borsumij fell by a dramatic Fl 28.50, or 27 per cent, to Fl 78.20 after announcing that it was cutting its forecast to Fl 35m from Fl 55m.

Amro Bank rose Fl 1.70 to Fl 78.30 after its forecast on Wednesday of a substantial rise in 1989 profits.

COPENHAGEN rose in an eventful day, as a couple of financial mergers were announced. Aktivbanken surged DKr410 to DKr825 before news that it would merge with insurance group Topdanmark, down DKr180 at DKr1,300. Topdanmark has bought 63 per cent of the bank's shares and is offering two of its shares for every three Aktivbanken shares.

Hafnia Holding, which had risen recently on speculation, eased DKr5 to DKr825 after announcing that it would form a joint insurance company with Provinsbanken, off DKr5 at DKr353. The bourse index added 1.09 to 356.97.

STOCKHOLM was in positive mood in moderate volume, the Affärsvärlden General index closing at 1,221.7, up 2.3. Investors were anxious to take positions before the new year when the recent rash of mergers and takeovers is expected to bring fresh liquidity into the market.

HELSINKI rose in busy trading, the Unitas all-share index closing 2.3 up at 625.9. Pohjola saw its restricted A shares close FM16 higher at FM232 after it was announced that the company's free shares were to be re-listed on December 27.

'Splendid moments' meld with mundane measures

Andrew Fisher on West Germany's volatile year

VOLATILITY, with its attendant pain and pleasure, has been a characteristic of West German stock markets in 1989, a year that has brought stronger than expected economic growth and company profits, a mini-crash in October and, finally and most dramatically, the rapprochement of the two Germanys.

For investors, there has been plenty to digest. The 13 per cent plunge in Frankfurt on the Monday after Wall Street's October slide pointed up the weaknesses of the German bourse system, now being brought rapidly, but belatedly, up to date with new electronic information and price-setting systems. Overall, however, the market has risen by about 25 per cent this year.

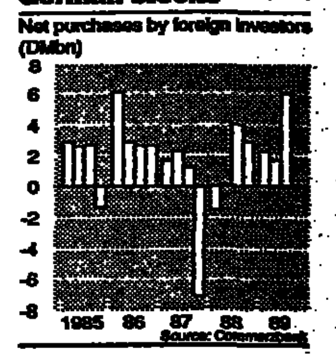
It was mainly domestic shareholders who suffered from the over-reaction in October, which was quickly righted as it became clear that the 1989 crash was not really a crash at all.

Foreign investors kept their heads, aware that German companies were piling up sizeable profits as a result of the surge in demand, especially for capital goods, from both inside and outside Germany. In the first nine months of the year, foreigners sunk a net DM10bn ($5.5bn) into German stocks, four times as much as in the same period of 1988.

When the East Berlin Government made its surprise decision to allow free movement by East Germans into and out of the West, shares quoted in Frankfurt and the other seven exchanges were ready to respond to the political and economic hopes that were raised. UBS Phillips & Drew, the London-based brokers, delved into the history books to produce an apt quotation from Winston Churchill: "A splendid moment in our history and in our small lives."

Shares of companies likely to benefit from the thawing of relations with Eastern Europe, and East Germany in particular, spurted ahead. Since West Germany is strong in such key sectors as mechanical and electrical engineering, construction and electronics, not to mention banking and insurance, the number of shares caught up in the pan-German euphoria has been considerable.

Not surprisingly, the initial excitement has been followed by more cautious counsel. After the October shake-out, "the unexpected crumbling of the Iron Curtain left many investors feeling that a mark-up was called for to reflect the future scope for growth," says Mr Werner Wanke, head of securities at B Metzler, the Frankfurt private bank. Share prices advanced by about 7 per cent.



But he adds: "While we agree that sensible changes in the East German economy will mean substantial growth potential in the long term, we do not share the overinflated expectations which have gripped our foreign investors in particular. It remains to be seen what changes, if any, will be made in the shipwrecked East German economy and what steps can be taken to help that country."

So which companies do stand to benefit, bearing in mind that the extent and scope of reform in East Germany is still unknown?

Metallgesellschaft, the metal, mining and engineering group, has already won a DM225m contract to provide environmentally-clean equipment for an East German chemical works, and it expects more deals in coming years. Cleaning the polluted air is a priority for the East Berlin Government; other West German companies that could benefit from this include RWE, the electrical utility, and Deutsche Babcock.

Beyond this, notes Kleinwort Benson Research, "the re-equipping of East German industry will be the more important objective over the medium term." Not only does the Government wish to develop microtechnology, make greater use of robots in industry, improve productivity and cut costs; it also aims to increase the proportion of high quality industrial goods, now a tiny part of total output.

In the electrical sector, Siemens looks set to benefit from efforts to improve the infrastructure, modernise industry and develop East Germany's backward telephone network.

On the capital goods side, Mannesmann, MAN and Thyssen stand out, while Allianz and Munich Re are best placed among the insurers to participate in growing commercial and personal business in the East. West German banks, led by Deutsche Bank, will also play a prominent role in the financing of closer business links. Chemical and motor companies, however, are not expected to derive much advantage from the convergence of the two Germanys.

Undoubtedly, the warmer political climate in East Germany has been the main talking point on the bourse recently, promising, as it does, a new era in east-west political and economic relations.

But the market has had other developments to ponder, too. The Government's promise to drop the highly criticised stock exchange turnover tax should give the German bourse a sharper competitive edge against centres such as London and Luxembourg.

Earlier in the year, Bonn also shed the controversial withholding tax, which had cast a cloud over German securities trading. These more mundane moves will give the bourse a firmer foundation for the 1990s, even if it is the consequences of the crumbling of the Wall that hold the most fascination.

SOUTH AFRICA

GOLD SHARES slipped further in thin trading after Thursday's sharp losses. The gold index fell 18 to close at 2,104.

ASIA PACIFIC

Nikkei falls sharply in thin trading

Tokyo

UNCERTAINTY concerning a likely increase in the official discount rate continued to cast a cloud over the market and share prices took a steep drop in very thin trading, *writes Michiyo Nakamoto in Tokyo.*

The market drifted lower throughout the day and the Nikkei average closed with a loss of 296.52 at 38,215.48, after moving between a high of 38,539.64 and a low of 38,195.98.

Declines trumped advances by 698 to 254, with 187 issues unchanged. Turnover fell to 572m shares from 1.06bn on Wednesday, reflecting unwillingness to take positions. The Topix index of all listed shares fell 22.41 to 2,826.76; in London, the ISE/Nikkei 50 index eased 0.66 to 2,118.86.

In spite of claims that the market had discounted a rise in the official discount rate, sentiment seemed to sour as the possibility of an increase became more widely accepted. Although no clear signal has been given by the Bank of Japan, there was growing speculation that it would announce an increase after a meeting was convened yesterday.

The discount rate scare has come at a difficult time. Share prices are already at high levels and the market is running out of ideas. "We've run through most sectors already . . . and suddenly nobody knows what to buy from here," commented Mr Chuck Lambert at Jardine Fleming.

Most leading shares suffered profit-taking. Mitsui OSK Lines, the shipping company which rose on Wednesday on expectations that increased trade with communist countries would support its business, lost Y10 to Y1,110 in the most active turnover of 19.9m shares. Nippon Mining followed with 13.9m shares, but fell for the second day running, losing Y30 to Y1,120. Nippon Mining had risen earlier in the week on the popularity of resource issues, among which it was considered a laggard.

Takeover speculation sparked some buying interest too. Kanematsu Gosho, a trading company, rose Y60 to Y1,340 on rumours that it might buy the shares that Shuwa, a real estate company, has accumulated in a supermarket chain. Maruetsu, a supermarket group that has attracted speculation, gained Y210 to Y2,650.

Recent star performers in Osaka were hit by profit-taking, pulling the OSE average down 142.21 to 38,610.33. Volume fell to 77m shares from 102m on Wednesday.

TAIWAN'S stock turnover for the year passed the NT$25 trillion (US$956bn) mark yesterday, more than triple 1988 levels, Reuters reports from Taipei.

In an average three-hour trading session on the exchange, more than US$3.4bn has changed hands. In terms of the number of shares traded, volume on the 170-issue exchange is second only to Tokyo. Company results have little to do with it. The top performer in the third quarter, Chan Chun Textile, rose by 250 per cent, although the company has had multimillion-dollar losses for two of the last three years.

However, many of Taiwan's 4m registered investors (20 per cent of the population) are disappointed because the market will not end with its traditional doubling of value. The weighted index has risen only 75 per cent from the start of 1989, after 119 per cent in 1988 and 120 per cent in 1987.

Roundup

PEAKS WERE scaled in Singapore and Malaysia, but most markets were subdued before the forthcoming holidays.

SINGAPORE reached a post-crash high, after a few days of profit-taking. Trading was moderate as the Straits Times industrial index rose 12.55 to 1,472.44.

Local investors returned to the market, while reports of new investment funds targeted at south-east Asia have also helped sentiment recently. Turnover was 87m shares, up from 72m the previous day.

KUALA LUMPUR rose 1.6 per cent to another record high. The composite index added 8.60 to 551.37 in active trading, with turnover rising to 70m shares from 67m on Wednesday. Financial stocks were in greatest demand, with Southern Bank up 36 cents at 4.88 ringgit and Killinghall 32 cents higher at 3.44 ringgit.

AUSTRALIA inched higher after a small decline earlier, with the All Ordinaries index ending 1.4 up at 1,639.6. Turnover was bolstered by options-related activity: 96m shares worth A$209m were traded, compared with 133m and A$234m on Wednesday.

Mining and resource stocks continued to attract demand, but industrials and financial issues fell. National Australia Bank, which paid a 25-cent dividend and saw its options expire, was the most active stock with 5.3m shares traded, easing 36 cents to A$6.62.

HONG KONG was barely changed in quiet trading. The Hang Seng index eased 0.8 to 2,867.69.

SEOUL slipped after two days of healthy gains, with the composite index off 0.79 at 932.66. Volume remained heavy at 30m shares and 711bn won, up from 25m and 620bn won.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 20 1989						TUESDAY DECEMBER 19 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	149.54	+0.6	138.31	128.42	+0.3	5.38	148.66	137.71	128.07	160.41	128.28	143.94
Austria (19)	164.79	−0.7	152.41	149.70	+0.2	1.63	166.00	153.77	149.42	172.22	92.84	96.77
Belgium (63)	148.07	−0.4	136.95	133.83	+0.3	4.15	148.64	137.69	133.43	150.39	125.58	134.54
Canada (121)	149.92	+0.2	138.66	126.09	+0.2	3.20	149.61	138.59	125.83	154.17	124.67	123.82
Denmark (36)	230.24	−1.7	212.95	212.55	−0.9	1.48	234.18	216.93	214.43	237.08	165.35	156.14
Finland (26)	131.33	+0.8	121.46	113.48	+1.1	2.48	130.32	120.72	112.29	159.16	118.63	129.57
France (126)	*148.43*	*+0.7*	*137.28*	*138.30*	*+0.8*	*2.70*	*147.41*	*136.55*	*137.24*	*150.60*	*112.57*	*110.42*
West Germany (96)	113.61	+1.6	105.08	102.77	+1.7	2.05	111.86	103.62	101.04	113.61	79.56	87.55
Hong Kong (48)	119.39	−0.4	110.42	119.64	−0.4	4.77	119.88	111.05	120.15	140.33	86.41	109.01
Ireland (17)	175.27	+0.5	162.11	163.01	+0.7	2.67	174.33	161.49	161.87	179.42	125.00	130.00
Italy (97)	95.31	+0.0	88.15	92.02	+0.3	2.49	95.36	88.33	91.73	96.73	74.97	85.76
Japan (455)	195.28	−0.3	180.61	177.75	−0.1	0.46	195.77	181.35	178.02	200.11	164.22	186.74
Malaysia (36)	222.50	+0.6	205.78	231.58	+0.6	2.29	221.16	204.87	229.77	222.50	143.35	141.76
Mexico (13)	310.73	+0.4	287.39	908.11	+0.4	0.57	309.42	286.62	904.27	326.61	153.32	160.40
Netherland (43)	137.97	+0.6	127.61	123.68	+1.0	4.31	137.20	127.09	122.42	139.47	110.63	111.32
New Zealand (18)	71.24	+0.2	65.89	63.42	−0.1	5.56	71.09	65.85	63.49	88.18	62.64	67.32
Norway (24)	190.32	−0.5	176.02	173.27	−0.2	1.58	191.34	177.25	173.55	198.39	139.92	138.08
Singapore (26)	175.38	+0.4	162.21	154.17	+0.5	1.94	174.63	161.77	153.43	176.24	124.57	120.36
South Africa (60)	192.62	+1.8	178.15	154.13	−2.2	3.67	189.28	175.32	157.60	192.62	115.35	115.58
Spain (43)	160.11	−0.8	148.08	135.66	−0.6	3.87	161.37	149.48	136.43	169.75	143.14	148.72
Sweden (35)	183.36	+0.5	169.59	170.67	+0.7	2.01	182.48	169.04	169.44	188.94	138.45	144.97
Switzerland (62)	91.24	+0.6	84.39	88.36	+0.6	2.02	90.74	84.06	87.81	94.16	67.81	76.56
United Kingdom (303)	153.85	+0.9	142.29	142.29	+0.7	4.37	152.54	141.30	141.30	158.41	133.28	133.43
USA (544)	138.76	+0.1	128.34	138.76	+0.1	3.37	138.66	128.45	138.66	146.29	112.13	112.89
Europe (990)	136.25	+0.7	126.02	124.95	+0.8	3.37	135.33	125.36	124.00	136.56	112.63	113.16
Nordic (121)	178.86	−0.5	165.42	158.92	+0.0	1.79	179.68	166.45	158.88	181.96	137.95	138.23
Pacific Basin (668)	190.60	−0.2	176.28	173.41	−0.1	0.70	191.02	176.95	173.64	194.72	160.44	181.83
Euro - Pacific (1658)	168.98	+0.1	156.29	154.03	+0.2	1.58	168.86	156.42	153.79	170.37	141.58	154.34
North America (665)	139.32	+0.1	128.86	137.97	+0.1	3.36	139.21	128.96	137.86	146.68	112.79	113.46
Europe Ex. UK (687)	124.37	+0.6	115.03	114.37	+0.8	2.71	123.68	114.57	113.46	124.94	98.30	100.25
Pacific Ex. Japan (213)	134.42	+0.3	124.33	119.74	+0.1	4.82	134.06	124.19	119.63	140.05	111.93	123.04
World Ex. US (1852)	168.64	+0.1	155.97	153.32	+0.1	1.65	168.48	156.07	153.12	169.94	141.49	152.90
World Ex. UK (2093)	157.24	+0.0	145.43	149.01	+0.1	1.97	157.22	145.64	148.92	159.46	136.98	137.92
World Ex. So. Af. (2336)	156.70	+0.1	144.93	148.32	+0.1	2.16	156.59	145.05	148.12	158.84	136.67	137.64
World Ex. Japan (1941)	138.71	+0.3	128.29	133.18	+0.3	3.43	138.24	128.06	132.77	140.89	114.51	113.82
The World Index (2396)	156.92	+0.1	145.13	148.35	+0.1	2.18	156.78	145.23	148.18	159.01	136.68	137.51

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Constituent changes 21/12/89: Deletion: Connaught BioSciences (Canada).The restricted shares of Elkem were replaced by Free shares (Norway).Latest prices were unavailable for this edition.

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